

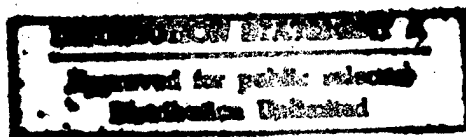
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JPRS-CEA-86-038

9 APRIL 1986

# China Report

ECONOMIC AFFAIRS



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9 April 1986

## CHINA REPORT

### ECONOMIC AFFAIRS

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## PROVINCIAL AFFAIRS

### SICHUAN SMALL TOWNS PROMOTE RURAL ECONOMIC REFORM

HK060831 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 27 Feb 86

[Text] In the wake of development of the rural commodity economy, a number of rationally structured small towns have taken shape and developed in the province.

Over the past two years, the small towns raised a construction fund of 1.8 billion yuan. They built over 110 million square meters of public buildings; over 3 million square meters of residential buildings; over 15 million square meters of streets; over 500,000 square meters of markets; and 829 water taps. A large number of small towns linked to both urban and rural areas have been rapidly developed. They play a more important role in promoting rural economic development, in readjusting the industrial structure, and in building the two civilizations.

The key that the province's small towns can rapidly develop rests with reforms. In the course of building and developing small towns, all localities also adopt manifold methods to encourage and promote peasants to engage in their businesses.

In the last 2 years, over 100,000 households, or some 400,000 peasants, entered the small towns, made their own eating arrangements and engaged in industry, commerce and the service industries. They raised some 1 billion yuan of funds and built over 10 million square meters of shops, houses, residential buildings and so on.

Recently, provincial and various local authorities in charge of village and town construction acted in the light of local conditions and formulated measures for acting in the spirit of the 1986 Central Document No. 1. They decided to grasp well other tasks of supporting reforms and develop new contents of reforms while consolidating, assimilating and augmenting the achievements made, so as to further expedite the province's pace of urban construction.

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CSQ: 4006/834



PROVINCIAL AFFAIRS

BRIEFS

PEOPLE'S CONGRESS HOLDS MEETING--The fifth session of the sixth provincial People's Congress held its second plenary meeting today. Executive chairmen of the meeting were Gu Jingxin, Deng Zhongru, (Jiang Jindong), (Jiang Dekui), (Fan Xinran), (Jiang Lianjie), (Qu Xiaofan), (Liu Zhenfan), Yang Chiyin, (Yu Hongcai), (Guo Fenglan), (Zhu Wei), (Feng Guangsan), (Gao Fengzhu), and (Huang Renmin). All members participating in the fifth session of the fifth provincial CPPCC Committee attended the meeting as observers. Zhang Tiejun, vice chairman of the provincial People's Congress Standing Committee, presided over the meeting. At the meeting, the people's deputies listened to the report by Zhu Jiazhen, vice governor of the province and concurrently chairman of the provincial Planning and Economic Commission, on the implementation of the 1985 economic and social development plan and on the arrangements for the 1986 plan; and the report by (Gao Chenghe), deputy director of the provincial Financial Department, on the 1985 provincial final accounts and the 1986 budget. The fifth session of the sixth provincial People's Congress and the fifth session of the fifth provincial CPPCC Committee held panel discussions respectively this afternoon. [Text] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 13 Mar 86 SK] /12712

CSO: 4006/834

## ECONOMIC DEVELOPMENT ZONES

### BRIEFS

FOREIGN CAPITAL TO GUANGZHOU--Since Guangzhou started to use foreign capital 6 years ago, 282 foreign investment projects in the forms of joint ventures, cooperation, and compensation trade have been signed, 14,360 contracts on processing and assembling imported materials have been signed, a total of \$920 million in foreign funds have been used, and over 500 pieces of advanced equipment and 108 production lines have been imported by industrial and communications departments. By using foreign capital, Guangzhou made achievements mainly in the following three areas: (1) It has imported advanced technology, advanced equipment, and improved varieties and breeds. Among the advanced production lines imported by Guangzhou, containers, polyurethane artificial leather, electronic watches, refrigerators, soft-packed beverages, and small calculators were the first of their kind in China when they were imported, thus filling certain gaps. Textile processing equipment, beer, elevator manufacturing, and light automobile production lines have helped transform a number of old enterprises. Mechanized chicken farms have produced large amounts of chicken meat and fresh eggs. The technique used in scientific breeding of high-quality edible fish has reached advanced 1980's standards. (2) It has accelerated the development of tertiary industries, especially tourism, built and remodeled a number of guesthouses and hotels, and imported over 4,000 taxicabs to alleviate the "transportation shortage." (3) It has imported scientific management methods, trained personnel, and raised the level of enterprise management. Since 1982, a total of 1,038 groups consisting of 5,600 people have been sent to the Hong Kong and Macao area and other countries to carry out investigation and learn advanced management methods. [Text] [Shenzhen SHENZHEN TEQU BAO in Chinese 8 Sep 85 p 2] 12302

OPEN CITY INVESTMENT INCREASED--According to the latest information of the State Statistical Bureau, in the first half of 1985, China's 14 coastal open cities absorbed foreign investment for 384 projects, an increase of 309 over the corresponding period of 1984. Foreign businessmen agreed on investing \$670 million, a 5.9-fold-increase over the corresponding period of 1984. As of today, foreign businessmen have actually invested \$120 million. It is reported that businessmen who signed agreements with these open cities came from the following 13 countries and regions: Singapore, Thailand, the Philippines, Japan, the United States, Canada, Australia, France, Italy, Switzerland, Finland, Hong Kong, and Macao. Guangzhou, Shanghai, Tianjin, and Dalian, where the investment environment and basic facilities are good, are far ahead of other 10 cities in regard to projects using foreign investment and the scale of joint ventures. In the first half of 1985, Guangzhou signed new agreements with foreign businessmen on 112 direct investment projects, an increase of 130 [as published] over the corresponding period of 1984; foreign businessmen agreed on investing \$240 million, a 12.3-fold-increase over the corresponding period of 1984. In the first half of 1985, Shanghai signed new agreements with foreign businessmen on 40 direct investment projects, an increase of 33 over the corresponding period of 1984; foreign businessmen agreed on investing \$230 million, a 69-fold increase over the corresponding period of 1984. [Text] [Shenzhen SHENZHEN TEQU BAO in Chinese 8 Sep 85 p 3] 12302

CSO: 4006/125

## ECONOMIC PLANNING

### SHANDONG GOVERNOR SPEAKS ON PLANNING, ECONOMIC WORK

SK160532 Jinan Shandong Provincial Service in Mandarin 2300 GMT 8 Mar 86

[Text] At the provincial conference on planning and economic work, foreign economic relations and trade, and political and ideological work of enterprises, Li Changan, deputy secretary of the provincial CPC Committee and provincial governor, pointed out: This year the major task in provincial economic work is to comprehensively implement the general guiding ideology defined by the central organs, vigorously improve macroeconomic control, increase the gross social supply, and constantly increase economic results in order to maintain an appropriate growth rate of industrial and agricultural production.

The provincial conference on planning and economic work, foreign economic relations and trade, and political and ideological work of enterprises opened on 7 March at the Jinan Nanjiao Guesthouse. On 8 March, at the conference, Li Changan, deputy secretary of the provincial CPC Committee and provincial governor, delivered a speech on upholding the reform and open policy and promoting the sustained, stable, and coordinated development of the provincial economy. His speech included six parts: 1) On the current economic situation and tasks; 2) on control of investment in fixed assets and readjustment of the investment structure; 3) on revitalization of enterprises and improvement of enterprise quality; 4) on development of foreign economic relations and trade; 5) on development of lateral economic cooperations; and 6) on the strengthening and improvement of leadership over economic work.

With regard to the control of investment in fixed assets and the readjustment of the investment structure, Governor Li Changan said: This is a conspicuous problem that needs to be solved in developing the provincial economic work. If we fail to strictly control the scale of investment, we will be unable to control the gross demand and improve the gross supply. He said: During the Seventh 5-Year Plan period, the state will build relatively more large and medium-sized construction projects in our province, most of these undertakings being energy resources, communications, and raw materials industrial projects. These projects will not only have an important bearing on the national economic development in the 1990's, but will also have a direct bearing on the reserve strength of the provincial economic development in the future. Ensuring the completion and availability of these projects and their results on schedule is our bounden duty to our country as well as an actual practice for vitalizing Shandong Province and making the people prosperous.

Therefore, this year, in utilizing the investment earmarked for capital construction and technological transformation, we should strive to reduce investment in non-productive projects and spend the limited funds on the much-needed productive projects, and reduce the investment in the processing projects of a general nature and make more investment in agriculture and the energy, communications, and raw materials industries. In particular, we should try every possible means to increase the investment in farmland water conservancy projects, secondary energy resources projects, road construction, and postal, telecommunications, and communications projects. In addition, we should control the production of goods which are in full or excessive supply and develop the production of goods which are in short supply, and should control the investment in capital construction and appropriately increase the investment in technological transformation projects.

Referring to vitalizing enterprises and improving the quality of enterprises, Governor Li Changan stressed: The key to expanding reproduction chiefly by intensive means lies in vitalizing enterprises and improving the quality of enterprises. This year, in addition to continually allowing flexibility to and revitalizing collective-run and state-run small enterprises, we should make a breakthrough in revitalizing large and medium-sized enterprises and in strengthening and improving management and operation of such enterprises.

Governor Li Changan pointed out: In further vitalizing large and medium-sized enterprises, the most important thing is to delegate more decision-making powers to such enterprises, and create conditions for them to strengthen the ability to conduct self-improvement and self-development. Speaking of the revitalization of enterprises, Governor Li Chang also pointed out: Mobilizing and protecting the initiative of cadres, workers, and staff members in carrying out reform is a new task facing us in further vitalizing enterprises. At present, an incisive issue is to correctly approach and properly handle the new situations and new contradictions cropping up in the course of reform. Under no circumstances should we dampen the initiative which has already been aroused.

Regarding the development of foreign economic relations and trade, Governor Li Changan stressed: Developing foreign economic relations and trade is a major matter bearing on the overall situation of the national economy. This year, we should strive for a relatively big increase in the export of local products and in foreign exchange. To fulfill the task for this year, we must strengthen the cooperation and integration between industry and trade, between agriculture and trade, between technology and trade, and between foreign and domestic trade, and encourage the people to develop foreign trade. Meanwhile, we should establish the export production system. This is a strategic measure for increasing sources of goods for export and strengthening the capacity for earning foreign exchange. In the course of developing foreign trade, we must pay attention to fully mobilizing the initiative of producers, dealers, and local governments, and adopt a number of new policies to encourage exports.

Speaking of the development of lateral economic cooperation, Governor Li Changan said: Developing lateral economic cooperation is a new matter emerging in the course of carrying out reform, opening to the outside world, and enlivening the economy, which reflects the objective demand of economic

development. Governor Li Changan said: In developing lateral economic cooperation, we must give play to the central role of cities, and vigorously remove barriers between different departments or regions to establish rational cooperation and economic structure for each department or region in order to penetratingly develop the economic reform. This year lateral economic cooperation should be aimed at promoting the integration of different enterprises and at developing various forms of integration, focusing on increasing the number of quality and top-brand products, with key enterprises as the leader. At the same time, we should encourage various scientific research units, universities, and colleges to establish connections and cooperate with various production units; organize cooperation between eastern and western provinces in the fields of funds, technologies, and natural resources; encourage poverty-stricken [word indistinct] each other; and strengthen the economic and technological exchange with fraternal provinces and cities.

Referring to strengthening and improving the ownership over economic work, Governor Li Changan stressed: The focus should be placed on rectifying the work style of the party and government organs, solving bureaucratism, and correctly handling the relationships between planned guidance and market regulation. In improving the leadership over economic work, we should also adhere to the principle of grasping the socialist, spiritual, and material civilizations simultaneously, and actually strengthen the ideological and political work.

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## ECONOMIC PLANNING

## SHANDONG HOLDS MEETINGS ON PLANNING, ECONOMY

SK140425 Jinan Shandong Provincial Service in Mandarin 2300 GMT 13 Mar 86

[Text] The provincial meetings on planning, economic work, foreign economic relations and trade, and enterprise political and ideological work, which were held jointly at Jinan's Nanjiao Guesthouse from 7 Mar, concluded on 13 March. Attending were various city and prefectural mayors and commissioners; directors of planning commissions, economic commissions, foreign relations and trade commissions, and departments in charge of enterprises of cities and prefectures; responsible comrades of various provincial departments, committees, sections, bureaus, and offices; and responsible comrades of enterprises concerned.

Li Changan, deputy secretary of the provincial CPC Committee and governor; Yang Xingfu, Standing Committee member of the provincial CPC Committee and director of its department in charge of political and ideological work of enterprises; and Ma Shizhong, vice governor, spoke at the meetings.

The four meetings, which were held jointly, all discussed and formulated their work plans by focusing on reforms, opening to the outside world, and promoting sustained, stable, and coordinated economic development.

The meetings noted: In 1986 we should give priority to reforms, management, technological progress, and overall improvement of economic results. We should chiefly rely on science and technology, the potential that enterprises should tap, and lateral contacts, and should maintain a proper growth rate.

The meetings emphasized: This year the province should continue to strengthen agriculture, which is a foundation; do a good job in energy and communications construction; greatly develop the production of consumer goods; make good arrangements for urban and rural markets; and conscientiously keep the commodity prices basically stable. It should achieve better results in increasing revenues and reducing expenditures, expand exports to earn more foreign exchange, continuously strengthen and improve macroeconomic control and management, bring the scope of fixed assets investment under strict control, and guarantee a sustained, stable, and coordinated development of the economy.

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ECONOMIC PLANNING

HAINAN CPC DEPUTY SECRETARY ON PLANNING WORK

HK140852 Haikou Hainan Island Service in Mandarin 0400 GMT 10 Mar 86

[Excerpts] The regional planning work conference was held from 4 to 7 March at the state-run (Dongxu) Farm. The conference made clear the guiding thought about this year's planning work; namely, to persist in the principle of opening up to the outside world and enlivening the domestic economy, to persist in reform, to strengthen macroeconomic control, to raise economic efficiency and upgrade social benefits, and to strive for continuous, steady, and coordinated economic development in the region.

The conference relayed the instructions given by Comrades Zhao Ziyang, Hu Qili, and Tian Jiyun when inspecting Hainan during the Spring Festival. It relayed the spirit of the national planning work conference, summed up the implementation of the region's plan last year, and discussed and formulated this year's plan for economic and social development in the region.

Comrade Meng Qingping, deputy secretary of the regional CPC Committee and principal responsible person of the regional people's government, attended the conference and delivered a speech. He spoke about six problems: 1) The guiding idea for formulating the plan; 2) the problem on the development of [words indistinct]; 3) the size of fixed assets investment; 4) on foreign economic relations and foreign trade; 5) strengthening research on major construction projects in the Seventh 5-Year Plan; 6) strengthening planning work.

Meng Qingping said that in formulating the Seventh 5-Year Plan and this year's plan, the region must adhere to the guiding idea of stimulating the exploitation of the region by opening up to the outside world. The region must do its utmost to combine the import of advanced technology with internal economic associations, make great efforts to earn more foreign exchange, concentrate its efforts on fundamental construction, speed up the improvement of the investment environment, and take the road of comprehensive development, simultaneous invigoration, and opening up to the outside world in an all-round way.

Meng Qingping said: If we describe the guiding thought and principle for developing and building Hainan in a figurative way, then talented people and information are Hainan's brain; tropical crops are Hainan's body; marine products and tourism are Hainan's two arms; and communications and energy are



Hainan's two legs. We must lose no time in reforming old enterprises and giving full play to the region's superiorities in petroleum, natural gas, and the mining industry. Based on local conditions, we must develop town and township enterprises, vigorously develop the breeding and processing industries to get rid of poverty and become rich, and implement the policy of making people rich. Formulating the Seventh 5-Year Plan and this year's plan for the region in accordance with this principle will give us new vitality. We must persist in the open policy and reform, continue to exploit Hainan in a down-to-earth manner, and strive to build a new socialist economic system with Hainan characteristics in five years or so.

Meng Qingping said that the region overfulfilled last year's export volume target by 47.3 percent and signed 29 contracts with foreign businessmen. Of the investment amount of \$137 million stipulated in the contracts, \$58.59 million was directly invested by foreign businessmen. This year governments at all levels must continue to put foreign economic relations and foreign trade high on their agenda and vigorously expand the export business and earn more foreign exchange. To fulfill this task, planning departments must adopt a series of encouraging policies and measures:

1. They must firmly grasp building a system for producing export commodities.
2. They must set up bases and factories for producing export commodities.
3. They must carry out work differently from enterprises whose products are for the domestic market, in such areas as economic examination targets, the price system, the portion of foreign exchange retained, and the reward methods.
4. The economic interest of bases producing export commodities must be linked with their ability to earn foreign exchange. The after-tax profits retained by them, the wages of staff members and workers, and bonuses and welfare in these bases can be higher than those in the same type of enterprises whose products are for the domestic market. They must be given priority and guarantees in the supply of energy, raw materials, and transportation means.

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CSO: 4006/850

AGGREGATE ECONOMIC DATA

GUANGXI RELEASES 1985 ECONOMIC STATISTICS

HK210157 Nanning Guangxi Regional Service in Mandarin 1100 GMT 20 Mar 86

[Excerpts] The Guangxi Regional Statistics Bureau announced the region's 1985 national economic and social development statistics on 17 March.

According to initial statistics, total social output value last year was 32.066 billion yuan, an increase of 13.33 percent over 1984. Total industrial and agricultural output value was 25.274 billion yuan, an increase of 12.93 percent. National income was 15.524 billion yuan, a rise of 10.32 percent.

Most of the main targets for the Sixth 5-Year Plan were fulfilled or overfulfilled. As production developed, the markets prospered, the financial situation took a turn for the better, people's incomes increased, and there were new developments in various social undertakings. The building of socialist spiritual civilization was stepped up.

However, amid the development of the region's national economy, total social demand exceeded supply. This was shown in the following ways: Social purchasing power exceeded commodity supplies; there was a considerable rise in nonstaple food prices; there were notable contradictions between supply and demand of raw materials; and population growth was still too rapid.

The 10-part communique of the regional statistics bureau deals with the performance in agriculture, industry, investment in fixed assets, communications, posts and telecommunications, domestic commerce and material supply and marketing, foreign trade and tourism, science, education, culture, public health, and sports, living standards, and population.

In agriculture, total output value last year was up by 20.93 percent over 1984. There was a comparatively big change in the cropping pattern. Grain production declined, but output of the major industrial crops rose. Sugarcane output was a record. Forestry showed great development. Fisheries production also increased.

In industry, total output value rose by 18.92 percent over 1984. The year's production plans were fulfilled or overfulfilled for 55 out of 72 major products. The pace of light industry speeded up, while heavy industry recorded relatively rapid development. There was considerable improvement in economic results.

Investment in fixed assets in the region last year rose by 40 percent compared with 1984. Key construction was stepped up. The building industry recorded new development amid the reforms.

Passenger and freight transport turnaround increased compared with 1984, but the number of road and waterway accidents increased.

The region achieved a new record in exports last year. Foreign exchange income from tourism increased by 57 percent over 1984.

Urban and rural living standards continued to improve. Average net peasant income last year was 303 yuan. After allowing for inflation, their real income rose by 3.76 percent. The real income of urban inhabitants also rose by 3 to 4 percent.

Urban and rural savings deposits continued to rise last year and totalled 3.422 billion yuan at yearend, an increase of 41.97 percent compared with the end of 1984.

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## AGGREGATE ECONOMIC DATA

## NEI MONGGOL COMMUNIQUE ON ECONOMIC, SOCIAL DEVELOPMENT

SK191207 Hohhot Nei Monggol Regional Service in Mandarin 2300 GMT 18 Mar 86

[Text] On 8 March, the regional Statistical Bureau released the statistical communique on 1985 economic and social development. The statistical communique points out: In 1985, under the leadership of the regional CPC Committee and the People's Government, the people of all nationalities throughout the region conscientiously implemented the principle for economic construction, namely, invigorating the domestic economy and opening up to the outside world; and comprehensively carried out the reform of the entire economic structure, focusing on the urban economy, thus bringing about a good situation in which the provincial economy developed in a sustained, steady, and coordinated manner. The 1985 total social product, the national income, and the gross industrial and agricultural output value increased by 15.8 percent, 14.3 percent, and 14 percent over the previous year, respectively. Meanwhile, all targets set by the Sixth 5-Year Plan were fulfilled. On the basis of developing production, market sales were brisk, revenue and expenditure increased, living standards of the urban and rural population improved, and new progress was made in scientific, technological, educational, cultural, public health, sports, and various other undertakings.

The statistical communique points out that the major problems in the region's economic development are: There is still a strain on transport and the supply of energy and raw materials; the production set-up needs to be further readjusted; investment in fixed assets is still too excessive; people's purchases exceed the supplied volume of commodities; and the price hikes are too large.

The statistical communique also specifically explains the issues in 10 fields, namely: Agriculture; animal husbandry; industry; investment in fixed assets and the building industry; transportation, posts, and telecommunications; domestic trade; foreign trade and tourism; science, technology, education, culture, public health, and sports; living standards; and population.

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CSO: 4006/850

AGGREGATE ECONOMIC DATA

GUANGDONG STATISTICS SHOW ECONOMIC GROWTH

OW222033 Beijing XINHUA in English 1837 GMT 22 Mar 86

[Text] Guangzhou, 22 Mar (XINHUA)--Almost all major economic index of Guangdong Province increased at two digital numbers in 1985 over 1984, according to official statistics released today. [sentence as received]

The total industrial and agricultural output value came to 69.1 billion yuan, an increase of 25.5 and 12 percent, respectively, said the provincial statistical bureau.

Guangdong and Fujian are the first two provinces to pioneer the open policy, which gives preferential treatment to investors.

Shenzhen Special Economic Zone used 220 million U.S. dollars of Hong Kong, Macao and Hong Kong [as received] funds, up 5.6 percent over the 1984 figure. Its industrial output value came to 2.33 billion yuan, up 56.4 percent.

Capital construction projects completed in Zhuhai and Shantou special economic zones last year cost 810 million yuan and 110 million yuan, respectively. The increase was 125 and 143 percent.

Exports last year amounted to nearly 2.9 billion U.S. dollars, an increase of 15.7 percent.

Some 12,000 contracts involving use of 2.34 billion U.S. dollars of foreign funds were signed by Guangdong Province, the bureau reported.

The province received 16.7 million visitors and tourists from Hong Kong, Macao and foreign countries last year.

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CSO: 4020/244

AGGREGATE ECONOMIC DATA

FACTS, FIGURES ON MAJOR PRODUCTS OUTPUT

OW251104 Beijing XINHUA in English 1008 GMT 25 Mar 86

["Facts and Figures (3): Output of China's Major Industrial and Agricultural Products"--Xinhua headline]

[Text] Beijing, 25 Mar (XINHUA)--The figures of output of grain, cotton, steel and coal at the last year of China's five-year plans are as follows:

1. Grain

1957 (end of first five-year plan)--195,050,000 tons:

1962 (end of second five-year plan)--160,000,000 tons:

1970 (end of third five-year plan)--239,960,000 tons:

1975 (end of fourth five-year plan)--284,520,000 tons:

1980 (end of fifth five-year plan)--320,560,000 tons:

1985 (end of sixth five-year plan)--378,980,000 tons: and

1990 (end of seventh five-year plan)--425,000,000 tons to 450,000,000 tons as planned).

2. Cotton

1957 -- 1,640,000 tons:

1962 -- 750,000 tons:

1970 -- 2,277,000 tons:

1975 -- 2,381,000 tons:

1980 -- 2,707,000 tons:

1985 -- 4,150,000 tons: and

1990 -- 4,250,000 tons (as planned).

### 3. Steel

1957 -- 5,350,000 tons:

1962 -- 6,670,000 tons:

1970 -- 17,790,000 tons:

1975 -- 23,900,000 tons:

1980 -- 37,120,000 tons:

1985 -- 46,660,000 tons: and

1990 -- 55,000,000 tons to 580,000,000 tons (as planned)

### 4. Coal

1957 -- 131 million tons:

1962 -- 220 million tons:

1970 -- 354 million tons:

1975 -- 482 million tons:

1980 -- 620 million tons:

1985 -- 850 million tons: and

1990 -- 1,000 million tons (as planned).

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CSO: 4020/244

AGGREGATE ECONOMIC DATA

FACTS, FIGURES ON TOTAL PRODUCT OF SOCIETY

OW251100 Beijing XINHUA in English 1003 GMT 25 Mar 86

["Facts and figures (1): China's Total Product of Society" -- Xinhua headline]

[Text] Beijing, 25 Mar (XINHUA)--The following are figures of China's total product of society (the total output value of agriculture, industry, building trade, transport and telecommunications, and commerce) of the last year of each five-year plan period:

1957 (end of first five-year plan) -- 160.6 billion yuan:

1962 (end of second five-year plan) -- 180 billion yuan:

1970 (end of third five-year plan) -- 380 billion yuan:

1975 (end of fourth five-year plan) -- 537.9 billion yuan:

1980 (end of fifth five-year plan) -- 853.1 billion yuan, and

1985 (end of sixth five-year plan) -- 1,624.2 billion yuan. [no figure given for end of 1990]

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CSO: 4020/244



AGGREGATE ECONOMIC DATA

FACTS, FIGURES ON FARM, INDUSTRIAL OUTPUT

OW251102 Beijing XINHUA in English 1005 GMT 25 Mar 86

["Facts and Figures (2): "China's Total Industrial and Agricultural Output Value" -- Xinhua headline]

[Text] Beijing, 25 Mar (XINHUA)--The following are the figures of China's total industrial and agricultural output value at the last year of each five-year plan period:

1957 (end of first five-year plan) -- 124.1 billion yuan:

1962 (end of second five-year plan) -- 150.4 billion yuan:

1970 (end of third five-year plan) -- 313.8 billion yuan:

1975 (end of fourth five-year plan) -- 446.7 billion yuan:

1980 (end of fifth five-year plan) -- 707.7 billion yuan:

1985 (end of sixth five-year plan) -- 1,326.9 billion yuan: and

1990 (end of seventh five-year plan) -- 1,677 billion yuan (as planned).

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CSO: 4020/244

9 April 1986

## AGGREGATE ECONOMIC DATA

## BRIEFS

HUNAN STATISTICS SHOW ACHIEVEMENTS--On 20 March, the provincial statistics bureau announced the statistics for 1985, which show that the province made gratifying achievements in the national economy. It overfulfilled the major targets assigned by the Sixth 5-Year Plan. The gross social output value in the year totalled more than 62.2 billion yuan, an increase of 11.8 percent over the previous year. The national income was 29.7 billion yuan, an increase of 10.9 percent compared to the previous year. The province also had a slight surplus in addition to balancing revenue and expenditure. [Text] [Changsha Hunan Provincial Service in Mandarin 2300 GMT 20 Mar 86 HK] /12913

1985 ECONOMIC STATISTICS RELEASED--According to NANFANG RIBAO, the provincial statistics bureau today published a communique on national economic and social development in 1985. The communique shows that, as a result of continuing to implement the principle of opening up to the world and invigorating the domestic economy and carrying out economic structural reform, the province achieved sustained development in industrial and agricultural production at a relatively high growth rate, and its national economy prospered. According to initial statistics, total social output value of the province last year was 108.5 billion yuan, a rise of 20.6 percent over 1984. National income was 49.7 billion yuan, a rise of 18.2 percent. Total industrial and agricultural output value was 69.1 billion yuan, a rise of 20.7 percent. In the wake of the development of production, the markets prospered, financial revenue increased, and the incomes of urban and rural people rose. The communique also shows that there were further developments last year in export trade, external economic and technical cooperation, the use of foreign investment, and tourism. The communique points out that the main problems in the province's national economic development at present are that there is excessive investment in fixed assets, there is an electric power shortage, and prices have risen by a relatively large margin. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 22 Mar 96 HK] /12913

PEOPLE'S EXPENSIVE PROPERTY SURVEYED--A sample survey conducted by the municipal Statistical Department showed that the average total value of the major property of Tianjin's residents reached 2,700 yuan per household during the Sixth 5-Year Plan period, an increase of 1,330 yuan, nearly 100 percent, over 1980. Of this, the value of such electric appliances for daily use as washing machines, wrist watches, and bicycles increased by 46.6 percent, that of the electric appliances for recreation, such as television sets, and recorders, increased by 160 percent, and that of high-grade clothes made of wool and fur increased by 190 percent. A fairly large number of people bought color televisions in the past two years. In every 100 households, there were 16.6 color televisions and 9.3 washing machines.

ECONOMIC MANAGEMENT

REFORM OF URBAN ECONOMY SEES FIVE MAJOR CHANGES

Beijing BEIJING RIBAO in Chinese 31 Jan 86 p 4

[Article: "Five Major Changes Follow Reforms in China's Urban Economic Systems; Great Achievements Appear As Expected; Victories in the Early Battles Are Pleasing"]

[Text] A new situation has appeared in reforms in urban economic systems in China and they are beginning to move from limited trials to comprehensive extension. Important changes have been made through reforms, from the microeconomic to the macroeconomic level and from the economic base up to the superstructure.

He Guanghui [6420 0342 6540], vice chairman of the state Commission for Reforming the Economic System, described this situation at a conference of relevant CPC Central Committee departments on 30 January. He said that urban economic reform in China is focusing on the central link of enterprise invigoration and may be divided into two stages. The first was the limited trial and exploration stage prior to the 3d Plenum of the 12th CPC Central Committee in October 1984. After the "Decision of the CPC Central Committee Concerning Reforms in Economic Systems " was passed at the Plenum, a new stage of comprehensive reforms was begun.

Information provided by all areas indicates that after expansion of decision-making rights in enterprises and substitution of tax payments for profit delivery, we have perfected internal systems of economic responsibility that integrate responsibilities, rights and interests. Large-and medium -scale enterprises that were rather sluggish in the past also have begun to be enlivened as that has adopted a series of reform measures. In combination with enterprise reforms, the number of cities that be implemented comprehensive economic reform has increased to 61, and important steps have been taken in price and wage reforms. Reforms also have been carried out to varying degrees in commerce, materials, planning, and other systems. He Guanghui's analysis of this situation was that the extent of reforms in recent years has been greater than anticipated, especially in the past few years, but achievements also have exceeded expectations. The need for victories in the early battles have been met and five major changes in urban economic systems have occurred as a result.

First, in terms of systems of ownership, the unitary public ownership system of the past, which basically was not consistent with the level of development of the forces of production, is now gradually changing to one in which socialist public ownership predominates and where diversified economic forms and management patterns develop together.

Second, in the area of the relationship between the state and enterprises, the latter now are beginning to shift from their past status as subsidiaries of administrative organizations to one of relatively independent commodity production operations. Some enterprises have shifted from simple production toward production-management and management-development types.

Third, in the area of markets, the past situation of unified and assigned purchases, unified purchases and guaranteed sales, supply on the basis of certificates, and planned distribution has begun to shift toward contracted fixed purchase and sales, and other such forms. The past circulation system of single channels, multiple links, and closure now is undergoing reforms and moving toward multiple channels, fewer links, and openness.

Fourth, in the area of economic relationships within China and with foreign countries, the past situation of closure to the outside and detachment and separation within China now is being converted to an open economy.

Fifth, in the area of macroeconomic management, the traditional system of the past that depended mainly on administrative measures and a high degree of centralization is now undergoing reforms. The scope and proportion of directive planning now are being reduced and the role of financial administration, taxation, banking and other economics levers is being reinforced. Economic management departments at all levels are gradually simplifying administration and transferring authority, and readjustments and reorganization have been carried out in some administrative-type companies. These actions have caused the former management patterns in which direct control predominated to begin a transition toward a management pattern in which indirect controls are the main force.

12539/13068

CSO: 4006/766

## ECONOMIC MANAGEMENT

### ECONOMIC CONTRACT ARBITRATION MEETING CONCLUDES

Beijing RENMIN RIBAO in Chinese 21 Jan 86 p 2

[Article by Lu Mu [7627 3668] and Pan Gang [3382 1511]: "Director's Meeting of National Economic Contract Arbitration Commission Stresses Need To Improve Economic Contract Management and Pay Close Attention to Mastering Arbitration Work"]

[Text] The first director's meeting of the National Economic Contract Arbitration Commission since its establishment, ending on 19 January 1986 in Beijing, has stressed the need for all areas to improve economic contract management and pay close attention to mastering arbitration work, in order to benefit the successful development of the reform of the economic system and the building of the two civilizations.

The National Economic Contract Arbitration Commission was established in September 1983. Over the past 2 years or so, it has handled many cases of disputed economic contracts. During the first 11 months of 1985, it handled more than 30,000 cases, or an increase of 60 percent over 1984. It also confirmed and handled over 2,600 cases of invalid contracts and investigated and handled 892 cases of illegal activities which were carried out through the use of economic contracts.

The consensus of the meeting was that improvement of the management and arbitration work involved with economic contracts is needed in our current circumstances and is an urgent requirement to ensure the thorough accomplishment of reform, invigorate the economy, and promote construction. According to incomplete statistics for some areas, almost 100 million economic contracts were signed in Jiangsu Province in 1985, and the number of economic contracts which were signed in Hebei Province during the first half of 1985 increased more than six-fold over all of 1984. The number of urban and rural economic contracts of all types which have been concluded throughout China is more than 1 billion. The number of economic contracts has increased, the number of cases of disputed and litigated contracts has grown considerably, and cases of illegal and criminal activities which are carried out through the use of economic contracts are gradually increasing. It will be necessary to improve management and arbitration work involved with economic contracts, thus safeguarding the normal order of economic activity, supporting normality and dispelling irregularity, and protecting the legal rights and interests of the state, collectives, and individuals.

The meeting pointed out that, in order to improve management and arbitration work involved with economic contracts, there must be reliance on law, strict law enforcement, and correction of violations. While carrying out widespread, and thorough propaganda on economic contracts, it will be necessary to stress macroeconomic control and guidance. It will be necessary to rely on and develop social forces, i.e., departments and enterprises responsible for business work in particular, and to do a good job of contract management. Particular attention should be paid to the use of economic contract inspection and arbitration; reconsideration of appealed cases and post-arbitration return visits should be stressed, and quality and effectiveness in handling cases should be improved constantly.

The meeting decided that, at present, it will be necessary to coordinate concerned departments to spread legal knowledge or economic contracts, and to spur responsible people in departments responsible for economic work, factory directors, managers, and purchase and sale businessmen in all areas to study, know and rely on the law in signing and fulfilling contracts. Based on their respective actual conditions, large and medium-sized cities must carry out an inspection of economic contracts. Through the inspection, problems in signing and fulfilling contracts should be understood, and prompt steps should be taken to solve them; trials of major and important cases should be stressed, the study of difficult cases should be improved, and illegal activities which are carried out through the use of economic contracts should be investigated and handled seriously. Moreover, business cadres must also be trained conscientiously and the organization and building of economic contract arbitration commissions at all levels must be improved in order to adapt to the needs of new and developing circumstances.

12267/6662  
CSO: 4006/638

ECONOMIC MANAGEMENT

PRC SETS UP NEW 'LOOSE' ECONOMIC ORGANIZATION

OW172041 Beijing XINHUA in English 1619 GMT 17 Mar 86

[Text] Nanjing, March 17 (XINHUA)--The new policy of encouraging inter-regional cooperation has paid off in the establishment today of an economic organization consisting of 103 counties and cities in four provinces which border on each other.

The organization, which calls itself the "Huaihai economic region" with Xuzhou in Jiangsu Province as the center, is expected to coordinate economic activities in northern Jiangsu, southern Shandong, northern Anhui and eastern Henan Provinces in east China.

These have a combined area of 159,000 square kilometers, and a population of 87 million.

A liaison office was set up in Xuzhou, a coal-mining center where the Beijing-Shanghai and Lianyungang-Lanzhou railways--two of China's arteries of land communication--join.

The "region" is not an administrative division, said a spokesman for the liaison office, but a loose organization with participants free to join.

For a long time in the past, the spokesman said, the economic development in this part of China had been hindered by a rigid division of administration.

This was in part responsible for the fact that the area's industrial and output value, calculated on a per capita basis, was only 65 percent of the national average, despite its development potential.

In recent years, Chinese leaders have openly acknowledged the defects of the current economic administrative system.

While decentralizing power--meaning giving more autonomy to local governments and enterprises--they have encouraged streamlining of production, transport and other economic activities by breaking away from administrative divisions.

Some 60 counties round Xuzhou had already entered economic cooperation of various forms, the spokesman said.

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CSO: 4020/238

## ECONOMIC MANAGEMENT

### LIAONING HOLDS EMERGENCY MEETING ON INDUSTRIAL PRODUCTION

SK140506 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 13 Mar 86

[Text] On the afternoon of 13 March the provincial people's government held an emergency telephone conference to mobilize the masses of staff members and workers on the industrial and communications front throughout the province to guard against a slackening of efforts and concentrate energy on the current industrial and communications production in order to make a good beginning in the first year of the Seventh 5-Year Plan period.

The conference noted: Because the economic growth of the country was too large last year, it is totally necessary to slow down the growth rate stemming from the specific situations in our province's industrial production and profit earnings of this year, the major problem at present lies in the rather low growth rate rather than the overheated growth. In February, in particular, the growth was too low. We must adopt measures immediately to change such a situation.

The conference urged: All localities and departments should organize competent personnel right away, and send them to grassroots units to conduct investigations and study, and to help enterprises solve practical problems. We should enable the masses of staff members and workers to understand that only when we increase the production of readily marketable products and create more wealth for the state can we improve the people's living standards. Without increased production and developed education, it is impossible to increase the income of staff members and workers. The relations among the state, the collective and the individual should be straightened out so that the wages [words indistinct].

The conference urged: Financial and banking departments should increase their loans for enterprises to use as circulating funds. The focus should be placed on the large and medium-sized enterprises which carry out the state key projects and produce means of production and the consumer goods in short supply. They should make arrangements for the production of readily marketable products, and avoid blind production to prevent new overstock and the aggravated strained situation in circulating funds.



The conference stressed: The implementation of the economic contract system should be taken as an important measure to switch the present passive situation in industrial production. Collective and township enterprises should resolutely fulfill the contracts they signed last year with the approval of higher authoritative departments, in which base figures were examined and deemed basically reasonable. In case the base figures were a little too low, they should be properly adjusted after conducting ideological and political work and obtaining the approval of the persons concerned. Such contracts should also be fulfilled as soon as possible without delay.

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CSO: 4006/834

## ECONOMIC MANAGEMENT

### SHANXI MEETING DISCUSSES INDUSTRIAL TASKS

HK120211 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 11 Mar 86

[Excerpts] The provincial government held a telephone conference on the evening of 11 March to announce the situation in January and February industrial and communications production and propose a number of tasks to be tackled at present:

1. Leaders at all levels must attach sufficient importance to the question of growth rate. This must be grasped every day and every month from now on. It cannot be slackened for one day.
2. It is essential to devote great efforts to boosting output of products in high demand. Output of stockpiled products should be linked to orders, restricted, or halted as appropriate. Output of products that sell well and are in short supply must be boosted.
3. Seriously implement and perfect the economic responsibility systems.
4. Leaders must personally get to work to solve the problem of weak links in a thoroughly sound way. The problems must be solved one by one, to enable production in weak enterprises to be invigorated as soon as possible.
5. Get a good grasp of firming up industrial and communications production for the second quarter.

The principal leading comrades of the provincial government have decided to personally go to stay at enterprises to tackle work there. They have called on the leaders of all prefectural and city economic commissions and of provincial industrial departments, bureaus, and corporations to personally lead work teams of cadres to go to stay at selected points to grasp typical examples, help to organize and firm up and organize production in March and the second quarter, sum up experiences, and provide appropriate guidance, so as to stimulate the development of industrial and communications production throughout the province.

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CSO: 4006/834

## ECONOMIC MANAGEMENT

### UNDERSTANDING OF CURRENT SHAANXI PRICE REFORM NEEDED

Xi'an SHAANXI RIBAO in Chinese 27 Nov 85 p 3

[Article by Si Nan [0674 0589], deputy director of the Finance Office: "Correctly Understand Current Shaanxi Province Price Reform"]

[Text] The issue of prices affects the vital interests of thousands upon thousands of households, is one of general concern to everyone, and is also a key link of economic reform.

Over the past few years, we have carried out careful and step-by-step reforms of our price management and pricing systems, and have achieved remarkable results. 1. Since 1979, we have raised our procurement prices for agricultural sideline products one after another, greatly narrowed the prices scissors between our industrial and agricultural products which was left over by history, and greatly improved our percentage of marketable products in proportion to agricultural sideline products. From 1979 to 1984, our price index for gross agricultural product procurement rose 45.1 percent, while our retail price index for industrial products rose only 9.2 percent. From the perspective of price relations of industrial and agricultural products, in the early 1980's, the same amount of agricultural products could be exchanged for over 50 percent more industrial products than in the early 1960's and over 100 percent more than in the early 1950's. 2. Readjustment of the prices of some industrial products, raising some and lowering others, and appropriate planning of all price differences has played a beneficial role in promoting revision of our industrial production structure. The irrational situation of prices for the energy needed for industrial products and for some raw and processed materials being too low has been alleviated somewhat. In the light textile industry, chemical prices have been lowered repeatedly, and are far lower than international market prices. The prices of chemical fiber cloth, wrist watches, radios and such new and developing products as television sets and tape recorders have also been lowered along with cost reductions. 3. Reduction of the scope of state-unified fixed prices, transferring of some price-management jurisdiction to lower levels and establishment of such diversified price-management forms as state-fixed prices, fluctuating prices, and free prices has created the essential conditions to correctly use the law of value and promote socialist commodity production development.

Based on the price modifications and economic developments of the past few years, our 1985 emphasis on reregulating meat and rural grain prices has been a major step forward in putting our price system in order. From this perspective, price reform has been generally successful. Shaanxi Province urban and rural markets have maintained a prosperous and dynamic momentum, and major market price changes have not occurred. From January to September 1985, our social commodity retail trade turnover increased 25.2 percent and our consumer goods retail trade turnover increased 28.3 percent over the same period in 1984, making this the best period since the founding of the PRC and also being the greatest increase during the Sixth 5-Year Plan period. New market conditions have occurred, wherein many commodities have begun to be in great demand before their consumption season and have continued to be so long afterward. But some unstable market price factors still exist, with some nonstaple food prices having risen a little too much and price rises for raw and processed materials also having caused prices of some household industrial products to go up. Some enterprises have used this as a pretext to increase quality price differences and raise prices covertly. Other enterprises and individual small retailers have taken advantage of the opportunity to raise prices at will. We must make specific and appropriate analyses of these and not lump them all together.

Of all consumer goods prices, the masses have the most complaints about those of such nonstaple food products as meat, vegetables, and eggs. Concerning the prices of these commodities, urban residents and peasants have exactly opposite claims. Peasants dislike low prices for agricultural products, while staff members and workers dislike high ones. In order to give consideration to the interests of both producers and consumers, the state has used the method of high-priced procurement, low-priced marketing, and financial subsidies to solve the problem in the past. But due to financial resource restrictions, this method had to set a fixed price and carry out assigned procurement from peasants. Along with constant cost increases in agricultural products, some products could not even cover their costs after being sold. Peasants felt that this was unprofitable and had little interest in production. Consequently, they had long hesitated to advance production, creating shortages in nonstaple food supplies and, in turn, urban rationing and limited consumption. Since the 3d Plenum of the 11th CPC Central Committee, great success has been achieved in rural reform. In addition, the state promptly raised prices of some agricultural products. Then, it also deregulated prices of most agricultural products for negotiated purchase and sale. This series of policies and measures has greatly aroused the enthusiasm of the masses of peasants to develop commodity production, provided an abundant supply of goods for nonstaple food markets and brought about basic changes in the nonstaple food supply. This has not come easily. At present, a few commodity prices are temporarily a little high, but in the future, they will gradually fall along with production expansion. If prices of agricultural products were forcibly kept low, peasants would be unwilling to produce and we might revert to the old situation of goods and materials shortages and inadequate consumer goods. That would be undesirable.

In order to ensure that the living standards of urban residents not be affected, the state has given price subsidies for rises in meat prices and the resultant chain reaction due to deregulating them. Since raising procurement prices of such major commodities as grain and oil, it has still practiced parity rationing of them to residents who eat commodity grain, and been responsible for losses due to imbalances in purchase and sale prices. Moreover, it has given corresponding staff member and worker wage increases. It should be stated that increases in staff member and worker income and the subsidies given to them by the state are still higher than the extent of some price rises, and that actual living standards have improved considerably. Of course, while income of staff members and workers has generally increased, this does not eliminate the fact that some people's incomes have not increased much, or that their family responsibilities have become heavier and their lives are still quite difficult. The party and government understand these conditions and will gradually improve the lives of these staff members and workers.

Since deregulation of nonstaple food prices, the problem of adapting to its various aspects has existed. Ever since the founding of the PRC, we have regarded stable prices as a major guiding principle. Thus, price stability has gradually become a part of people's ideology, seeming to mean price freezing, and slight price changes have made people nervous. The recent rise in meat prices in state-owned food enterprises is, of course, in the category of normal seasonal price differences. But some people who do not understand the situation have misinterpreted it as a second price rise. This is a matter of familiarizing and adapting themselves to price policies. All business departments should do a good job of publicity and interpretation in order to eliminate people's misunderstandings. Management departments have also had problems in adapting to market regulation and invigorating their management.

In order to successfully realize the goal of price reform, it will be necessary to further improve macroeconomic regulation and control, to control credit, consumption funds, and currency circulation in particular, and to do a good job of market planning, in order to promote steady and coordinated development of the national economy.

12267/6662

CSO: 4006/638

ECONOMIC MANAGEMENT

HEILONGJIANG INDUSTRIAL PRODUCTION RESULTS IMPROVED

Harbin HEILONGJIANG RIBAO in Chinese 11 Dec 85 p 1

[Article by Gu Wanming [7357 8001 2494]: "Heilongjiang Province Persists in 'Taking a Step and Then Stabilizing Conditions'; Does Not Strive for High Speed; Industrial Production Pace Is Appropriate and Results Have Improved"]

[Text] Heilongjiang Province has conscientiously improved its macroeconomic control and guided its industrial enterprises to use their energy to improve economic results, and there is a new industrial production situation of an appropriate pace and a comprehensive improvement of economic results.

Comparing the first 10 months of 1985 to the same period in 1984, Heilongjiang Province output value of budgeted industrial enterprises increased 10.6 percent, realized profits increased 16.7 percent, taxes turned over to the state increased 22.5 percent, the number of enterprises which incurred losses decreased by 106 and the amount of losses decreased 11.8 percent. This has been the best year for economic results in Heilongjiang's industrial production since 1980.

At the beginning of 1985, symptoms of pace competition also appeared in some economic sectors and industrial cities in Heilongjiang. The provincial party committee and the provincial government felt that high speed, in excess of energy, communications, and raw and processed material capability, could not last for very long and might have serious consequences for economic development. They thought that only "taking a step and then stabilizing conditions" would be favorable to reform and to putting economic relations in order. Thus, they decided that in 1985, industry throughout Heilongjiang would take improvement of economic results as its central task and would not strive for an excessive rate of development.

In order to ensure synchronized development of industrial production speed and results, macroeconomic control has been improved conscientiously throughout Heilongjiang; financial supervision of enterprises has been improved, unreasonable loans have been recovered actively, quotas have been assigned for administrative expenses, and social and group purchasing power, and consumption fund growth has been controlled rigorously; clearing up of fixed-asset investment has been organized, construction of 57 irrational projects

has been stopped, import items have been investigated rigorously and foreign exchange has been used only to import small amounts of scarce raw and processed materials and not to import large amounts of primary components. During 1985, credit, fixed-asset investment, foreign exchange imports and consumption fund growth throughout Heilongjiang have not exceeded plans. Moreover, organization of heavy industry production has been carried out according to contract, light industry has produced marketable products based on market demand, and production of unmarketable and low-quality products has been restricted or stopped. These measures have enabled a series of changes to appear in economic conditions throughout Heilongjiang:

--The industrial structure has tended to become more rational, with light industry growth exceeding that of heavy industry. During the first 10 months of 1985, the output value of light and heavy industry throughout Heilongjiang increased 12.9 and 10.4 percent, respectively, over the same period in 1984.

--Product quality has clearly improved. The steady improvement rate of industrial product quality throughout Heilongjiang has reached 86.2 percent, and the output value of high-quality products has increased 55.9 percent over the same period in 1984.

--There is a trend toward reduction of consumption of energy and raw and processed materials. During the first 10 months of 1985, consumption of energy and steel products per 10,000 yuan output value of industrial production throughout Heilongjiang dropped 7 and 3.4 percent, respectively, over the same period in 1984.

--Revenue has exceeded expenditures throughout Heilongjiang. During the first 9 months of 1985, revenue throughout Heilongjiang was nearly 2.8 billion yuan, while expenditures topped 2.57 billion yuan.

12267/6662

CSO: 4006/638

FINANCE AND BANKING

FINANCE MINISTER ON FINANCIAL WORK FOR 1986

Beijing CAIZHENG [FINANCE] in Chinese No 1, 8 Jan 86 pp 1-6

[Article by Wang Bingqian [3769 0014 0051]: "Do a Good Job in Financial Work in 1986 to Meet New Situation"]

[Text] I. The present economic situation is very good. Generally speaking, the tasks of turning around the nation economically and financially have been accomplished and a new situation of sustained, stable and balanced economic growth has appeared. In the case of finance, not only have we basically resolved the numerous problems, inherited from history, in people's daily life and urban construction since the 3d Plenum of the 11th CPC Central Committee, but we have also reversed the trend of declining revenues and soaring deficits. On the basis of rising output, the nation has succeeded in steadily increasing its revenues 4 years in a row. The distribution of expenditures is becoming more and more logical by the day. A basic balance has been achieved between revenues and expenditures. Our revenues in 1985 are expected to exceed those in 1984 by about 20 percent. We are confident we will balance our budget and eliminate our deficit.

A correct assessment of the situation is the cornerstone of policy-making and planning as well as a prerequisite for ideological unification and the allocation of tasks. It is universally recognized that the economic and financial situation last year was very good. Comrade Zhao Ziyang told the National Party Congress not too long ago, "It is not good to either overestimate or underestimate the situation and our achievements. The general principle should be to seek truth from facts and base estimates on facts." Such must be the way we assess the situation this year: opening our eyes to existing difficulties and problems, at the same time taking into full account favorable conditions and potential.

Accomplishing this year's financial plan and achieving a balanced budget are a herculean task. On the one hand, more factors are at work in 1986 that will reduce revenues and increase expenditures. On the other hand, it will be very difficult to reduce last year's increments to the budget in the absence of retrenchment and adjustments. Inevitably this creates problems for the budgetary process in 1986, including the sharp discrepancy between the demand for construction funds and the amount of money available. All these problems and conflicts are real enough. The question is what kind of attitude we



should adopt toward them. Even more important, we should fairly assess the various favorable factors in economic development. The correct attitude is one which takes into consideration both adverse conditions and advantages on the basis of a clear understanding of the entire situation, which seeks to fully exploit the advantages and transform the adverse conditions into favorable ones, and which aims to do a good job in a positive way.

Financial work finds itself in a sound position in 1986. Guided by the correct line of the CPC Central Committee and after almost 7 years of strenuous efforts since the 3d Plenum of the 11th CPC Central Committee, we have basically shifted the focus of our work toward socialist modernization, adhered to the four basic principles, upheld the simultaneous construction of the two civilizations and systematically rectified the party step by step. We have achieved notable progress in the restructuring of leading cadres at all levels and the correction of unhealthy tendencies within the party. A new political situation, stable, united, lively and vigorous, has emerged. The entire party and the whole population are now implementing the spirit of the National Party Congress and continuing their efforts to achieve economic reform and the four modernizations, at the same time seriously paying full attention to the construction of the socialist spiritual civilization, strengthening ideological and political work, combating and resisting bourgeois liberalization and the corrosive influence of all manner of decadent ideas, and exerting themselves to fundamentally improve the party style and social tone. For these reasons, our political situation should get better and better.

Turning to the economic situation, the first thing to be said is that a sound economic environment has begun to take shape due to economic adjustments and systematic restructuring over the past several years. When we look at the economic environment, our primary concern is to see whether the major proportionate relations are in line with one another and whether the economy can maintain sustained, steady growth at an appropriate pace. As far as proportionate relations are concerned, the current proportionate relations between China's agriculture, light industry and heavy industry are relatively well balanced, with each accounting for about one-third of the gross industrial and agricultural output value. They also match our present level of economic development. The proportionate relation between accumulation and consumption has also improved considerably; notwithstanding the fact that accumulation took up an inordinately large share of the national income last year, the annual average for the 5-year period remained at about 29 percent. During the Sixth 5-Year Plan, gross national industrial and agricultural output value and national income are estimated to have grown at least 10 percent and 9 percent respectively each year on the average, a stable momentum which we should largely be able to keep up during the Seventh 5-Year Plan. As the restructuring of the economic system gradually unfolds, China's national economic development is entering a new era of structural soundness, vitality and dynamism.

Second, our economic strength has been enhanced and the financial basis of the state has become more solid. One cannot assess the economic situation without looking at both the economy and finance. In the wake of economic expansion, our revenues for 1985 are expected to top 170 billion yuan. Add the 140

billion yuan in extra-budgetary funds, and we have a grand total in excess of 300 billion yuan, up more than one-fold over 1980. Simultaneously, while ensuring that the system of public ownership remains the centerpiece of the national economy, the government has also encouraged and nurtured with the right policies and financial backing the development of that part of the economy outside the public sector. In both urban and rural areas, the collective economy has grown rapidly, as has the individual economy, thereby broadening and substantiating our revenue sources. What has come into existence is a brand new situation, one characterized by a multitude of revenue sources and a diversity of economic forms, funds and distribution channels. It should be said that we now have more extensive revenue sources and more room to maneuver when it comes to the use of funds.

Third, a number of new problems which have appeared in the course of economic development are gradually being resolved and overcome. Since the fourth quarter of 1984, the CPC Central Committee and the State Council have adopted a series of sound measures, controls and adjustments to tackle them. After more than half a year's effort, the situation is slowly getting better. The excessively rapid rate of industrial production is moderating, capital investments are being brought under control and the sharp expansion in credit and consumption funds has also eased. As we fine-tune our work, the above situation will improve even further.

Fourth, it is most important that we become aware of the tremendous waste, hence enormous potential, in all aspects of our economic work. In the area of production, the economic results of many enterprises have so far failed to match their highest level in the past. Turning to circulation, commodity turnover is slow, circulation costs are high and losses are piling up dangerously. The potential in the area of capital construction is even greater. As for revenues lost due to tax evasion, waste in government spending and so on, the problems are even more widespread. We conducted three general tax and financial inspections in 1981, 1982 and 1983, which netted 5.6 billion yuan in back taxes. At the instruction of the State Council last year, we are now carrying out another inspection which has benefited the treasury by 2 billion yuan so far.

It is clear from the above that our present situation is very good, with numerous favorable circumstances, particularly the high regard and support of party and government leaders at all levels for financial work and close inter-agency cooperation. All this should make us confident of fulfilling this year's financial tasks and balancing the budget. We must earnestly liberate our ideas, widen our revenue sources, orient ourselves toward the vast numbers of enterprises, tap potential, plug loopholes, do everything to increase revenues and cut expenditures and devote ourselves to the improvement of economic results. That way we will be able to unify our ideology, get a clear understanding of the situation, clarify our tasks, make full use of favorable conditions and overcome unfavorable ones. We should talk less and do more, unite as one, boldly take up heavy responsibilities and complete the financial tasks for 1986, doing what we should to promote the national economy, support various reforms, make the open door policy work and consolidate the splendid situation.

II. Financial work this year should continue to implement the spirit of the instructions issued by the CPC Central Committee as it heard a party rectification report by the leading party group of the Ministry of Finance. It should revolve around the balancing of the budget, the promotion of various reforms and the enhancement of economic results. At the same time, further efforts must be made to step up ideological and political work and the construction of the tax and financial contingent and improve our leadership style in earnest. We must seize the initiative and lay a solid foundation for the accomplishment of the financial tasks the Seventh 5-Year Plan has set for us. To highlight our priorities, we must come to grips with the following four tasks in 1986:

1. Pay Attention To Revenue Enhancement And Expenditure Reduction And Continue to Keep The Budget In Balance

Balancing the state's finance, credit, materials and foreign exchange, both individually and with one another, is basic to ensuring coordinated economic proportionate relations, a stable economy and the success of the restructuring of the economic system. The key to balancing the budget this year lies in strictly holding down expenditures and making sure that revenues grow steadily. To that end, we must vigorously organize revenue collection and seriously do a good job in tax work and enterprise financial work. The latest tax and financial inspection reveals that many localities, departments, enterprises and institutions fail to comply with the law and regulations or enforce them strictly. It also lays bare the numerous loopholes in our management system. When the tax and financial inspection basically comes to an end, therefore, we must take as our point of departure the demand that we effect the three fundamental improvements, sum up experience, establish and perfect various systems and intensify supervision and management. In the future, enterprises, institutions and tax and finance agencies must tighten tax discipline, follow tax laws and regulations closely, and firmly prohibit all forms of tax evasion, tax cheating and other conduct that violates the law. Collect in full whatever should be collected, no more, no less. Ask for instructions from and report regularly to leading party and government comrades at all levels so that they will strongly support the work of tax departments, like leading comrades on the Hebei CPC committee and in the provincial government. Overcome the one-sided "policy of benevolence" and put a stop to the practice of random tax reduction and tax exemption. Ideally we should know the law, understand it, observe it and act in accordance with it. In dealing with genuine hardship cases which require tax concessions, we must also follow legally prescribed procedures and secure the necessary approvals.

Even as we strengthen tax collection, we must also intensify our drive to improve financial work within enterprises, an effort which must never be slackened. We know from experience that poor enterprise management and limited economic results are definitely related to half-hearted financial work in enterprises. After taxes replaced profits, financial work remains not only an important part of an enterprise's business operations, essential to improving its management, increasing its economic results, tapping new financial sources and augmenting its income, but also a basic task in financial and tax management. We must, as always, work hard at it and do it right. Besides stepping up enterprise financial control at the top, we must

continue to seize a number of good and bad examples, examining, analyzing and using them in propaganda and education as an impetus to enterprises to improve business management and perfect their economic accounting system so that they can raise their standard of financial management appreciably. We have also improved the way treasury bonds will be issued in 1986. Localities everywhere must strengthen leadership, publicize and promote their sale successfully and go all out to make sure the issuance target is over-fulfilled.

Efforts to secure revenues must be combined with a continuing drive to control and hold down spending. Our spending priorities this year are key projects, economic reform, educational development and agriculture, wherever necessary. Spending in all other areas must be kept within our means and under stringent control. Without setting priorities, there can be no policy. But even spending on priority projects must emphasize economy and cost effectiveness. Apart from allocations already provided for by the state in the 1986 budget, the various capital construction projects (including those organized by local governments with emergency funds) must not seek additional funding. Operating expenses for education, culture, science and public health in 1986 are determined in accordance with the two resolutions on educational reform and the restructuring of the scientific and technical system. Spending in those areas will increase more rapidly than the growth rate of regular revenues. Government spending on agriculture has risen only slowly in recent years, with an actual decline in the funds for the direct support of agricultural production. The family output-related system of contractual responsibility has been put on a firm footing and is widespread in the countryside today, with impressive economic results. Nevertheless, the need still exists for increased government spending to support and thereby facilitate the further development of agricultural production; accordingly, the CPC Central Committee and the State Council have decided to step up investments in agriculture as appropriate from 1986, the focus being on the improvement of the basic conditions of agricultural production and the popularization of agricultural science and technology. In setting spending targets, all localities must follow policies and take appropriate steps. In 1985, all localities and departments have tried very hard to cut down on administrative expenses and contain group purchasing power, and they clearly have something to show for their efforts. This year we must continue to issue targets and further tighten control and management so that state limits in these two areas will not be exceeded. Whatever we do, we must strongly advocate frugality and economy, oppose extravagance and waste and live up to the rule of spending less, doing more and do it well.

To ensure a balanced budget, finance agencies at all levels should insist on balancing their accounts on a year-by-year basis and aim for a small surplus. No deficit budgeting is allowed. Because local governments took in more revenues last year, the vast majority of localities had a surplus. Every local government must give itself something to fall back on, so it should try not to touch last year's surplus. As for this year's surplus, it should be resorted to, and then sparingly, only when its use is perfectly justified. It is both dangerous and a violation of state budgetary control principles to make spending plans at the beginning of the plan based on guesstimates of an anticipated surplus. We will work out separate budgets for the central government and local authorities within the framework of the overall budget.

All localities must live within their means and undertake projects within their financial capabilities.

Balancing the budget is related to balancing credit, materials and foreign exchange: one cannot be severed from the others. We must cooperate with the departments concerned and balance the various kinds of funds in a comprehensive way. The management of extra-budgetary funds, including the disposal of the "petty-cash boxes" in the units, demands special attention. Without affecting their ownership, we may handle extra-budgetary funds in a variety of ways--special reserve, planned management, financial examination-and-approval, bank supervision. Funds in special reserve, however, must not be used to finance development companies or set aside as investments in capital construction. Units should be required to take stock of funds they have stashed away in their "petty-cash boxes" within a specified time and then deal with them accordingly: whatever is legal may be kept, whatever is illegal should be turned over to a finance agency. They should also cooperate with banks and establish a management system, if necessary.

## 2. Continue To Improve Finance and Tax Systems and Make Necessary Preparations for the Wholesale Restructuring of the Economic System During the Seventh 5-Year Plan

In accordance with the spirit of CPC Central Committee instructions, the thrust of reform in the first 2 years of the Seventh 5-Year Plan will be to strengthen and improve indirect macroeconomic control as required by stable economic development. This year, we shall concentrate on filling up the gaps. Accordingly, the focus of financial reform in 1986 is the perfection of the industrial and commercial tax system and the system by which units pay taxes instead of turning over profits. But we must also carry out intensive studies and research and draw up necessary reform schemes to pave the way for the reform of the financial and tax system in the last 3 years of the Seventh 5-Year Plan.

To further invigorate large and medium-sized enterprises and systematically enhance their capacity for self-improvement and self-development, a decision has been made to gradually reduce the regulation tax payable by major large enterprises that are into technical transformation, have important export tasks, contribute significantly to the state and pay heavy regulation taxes, and to increase the depreciation rate of their fixed assets step by step. These two tasks require comprehensive planning and coordination. Allowance must be made for the varying circumstances of different enterprises, while consideration must also be given to limits on the state's financial capability. In particular, we must make sure that the extra funds enterprises end up with are spent on modernization and technical advancement, not capital projects, welfare or bonuses. We must continue to improve the industrial and commercial tax system to make full use of the economic leverage of taxes. Furthermore, we must improve tax legislation concerning foreign nationals and companies so that taxes become an even better vehicle for implementing the government's incentive or restrictive policies. As for the reform of the financial control system, we must continue to follow the system of "differentiating between different categories of taxes, fixing revenues and expenditures and dividing up the work and assigning a part to each level." An

earnest effort must also be made to come to grips with rural financial work, particularly agricultural financial work and rural tax collection, both vital to the development of rural and town enterprises and the prosperity of the rural economy. In addition, we must take an active part in wage and price reform and other economic reforms so that the variety of economic mechanisms can be applied in unison with one another and in tandem with the restructuring of the economic system.

### 3. Take Realities Into Consideration and Focus on Priorities to Bring About a Breakthrough In Our Effort to Improve Economic Results

Time and again the CPC Central Committee has emphasized the need to handle the relations between economic results and economic growth properly and elevate the improvement of economic results to a new position of prominence. As far as finance is concerned, we want 1986 to be a year when we aggressively pursue economic results, both in the interest of balancing the budget and as a way of assessing the achievements of tax and financial reforms. The improvement of economic results mainly depends on the efforts of the departments and units, especially grassroots units; everybody is responsible in his own way. But finance and tax agencies must also do its share of work. Many issues are involved here and the work is not easy. Nevertheless, as long as we unify our understanding, coordinate our actions, take financial relations into consideration, cooperate with the departments concerned, focus on the priorities and exert ourselves, our work will bear fruit.

We must fully understand the urgency and importance of increasing economic results. Poor product quality, high material consumption, long construction cycle, meager economic results--all are longstanding and widespread problems in our production, problems so persistent that they are fairly called "chronic diseases." A failure to cure them fundamentally will prevent us from fully utilizing all kinds of resources, creating more wealth with less input and better satisfying the people's daily needs, the requirements of construction in all areas and the demands of export expansion. Comrade Zhao Ziyang has rightly summed up the key to construction and development as an all-out effort to increase the economic results of enterprises and heighten our ability to export and earn foreign exchange. The potential in these two areas is indeed tremendous. If only we become a little more conscientious and exercise a little more initiative in our work, we can come up with many ideas and solutions. As far as financial work goes, we must shift our attention to the pursuit of economic results and work hard at it. Generally, we should strongly support and promote whatever helps raise product quality, lower material consumption, shortens construction cycles and improve economic results. We should be mindful of results at the spending end as well as the revenue end. We have said in the past that we must master the way to make money, accumulate money and use money. Now it seems that whether or not we put money to proper use has a significant bearing on production development, the tapping of new revenue sources and the successful pooling of funds. Therefore, whether we are in production or otherwise and whether we handle revenues or expenditures, we must go after economic results. At the same time, we must set priorities in our work and emphasize industrial and commercial enterprises and infrastructural units. In 1986, the finance department (agency) in every province, municipality or autonomous region must

zero in on a couple of counties, cities and industries, studying them in depth. It should sum up their experience in increasing economic results and popularize such experience.

Dual backwardness--technical and managerial--is the root cause of the poor economic results of Chinese enterprises. The CPC Central Committee has decided to push for enterprise technical transformation in a systematic and focused way in 1986 and has tentatively allocated funds for that purpose. Apart from earmarking a certain portion of capital construction outlays for technical transformation, it will continue to set aside special appropriations and provide financial support in the form of interest subsidies. In addition, the enterprise depreciation rate will be increased in stages according to plan, while the regulation tax on certain large and medium-sized enterprises will also be cut gradually. But the enterprises must devote whatever funds they can thus gain or save to technical modernization, not diverting them to capital construction or consumption. We will be drawing up suitable laws and regulations to make sure this is actually carried out.

#### 4. Strengthen Ideological And Political Work And The Construction of a Financial Contingent, Improve Leadership Methods And Style

In light of party rectification, tax and finance agencies at all levels have worked hard in recent years to build up their contingents, perfect their organizations, expand their ranks of cadres, reshuffle their leading cadres and offer cadre training. Their achievements, though considerable, still fall far short of what the developing situation requires. We in finance agencies must continue to consolidate the gains of party rectification and earnestly step up our work in this area in order to keep improving the standards of financial work and cadre management to meet the taxing demands of financial tasks in the Seventh 5-Year Plan.

An important and urgent task facing tax and finance agencies and construction banks today is to stand firm on the simultaneous construction of the "two civilizations," pay full attention to the construction of the socialist spiritual civilization, seriously strengthen ideological and political work, and study Marxist theory diligently and earnestly. Finance agencies organize the accumulation and distribution of funds and are therefore closely and directly related to the implementation of party lines, policies and principles. All this makes clear that financial work involves important policy issues and is charged with politics and requires us to attach special importance to and intensify ideological and organizational construction.

In recent years we have investigated and handled a number of cases involving tax and financial cadres who broke the law and took bribes. The latest tax and financial general inspection also brought to light other cases of bribery, theft and corruption among our cadres. A year ago, the General Office of the CPC Central Committee and the office of the State Council issued a circular demanding that party and government organs at all levels firmly and seriously implement the series of Central Committee and State Council instructions on the correction of unhealthy tendencies, effectively improve organizational style and eradicate all decadent phenomena. We must study the circular carefully and enforce it unswervingly. Years of experience prove that we must

never slacken ideological and political work even as we devote ourselves to financial work. In providing cadres with professional training, we must concurrently organize study in Marxist theory and educate them in idealism, ethics and discipline. We must heighten unity between departments in the finance and tax system, between us and other departments outside the system and between old and new cadres, the aim being to work together to accomplish our tasks. Our old comrades should serve as a model, professionally, ideologically and in matters of style, and set an example of unity. It is their mission to pass on and carry forward tax and finance cadres' fine historical tradition of hard work, austerity, honesty and law abidingness.

We must continue to strengthen tax and finance organs and augment their ranks of cadres. In accordance with central government instructions, comprehensive economic management agencies must be strengthened and expanded as part of the current economic and organizational reforms in order to upgrade the scientific standard of economic decision-making and the regulatory capability of macroeconomic control. As things now stand, the setup of tax agencies and the size of their cadre contingent still fail to satisfy the demands of the developing situation, so the need to strengthen and expand them is urgent. I hope that provinces, autonomous regions and municipalities directly under the central government will do their best to transfer cadres to the agencies and increase their competence by organizing the necessary professional training in accordance with the demands of the State Council. As work becomes more complex in the future, we must continue to strengthen ourselves in this regard.

Information work is a weak link in tax and finance agencies. There have been numerous instances over the years in which a lack of information led to wrong policy decisions or improper implementation. Not only are our finance agencies ill informed and slow to react, but they are also grossly inadequate in comprehensive analysis. The need for improvement here is acute. Beginning this year, we propose to gradually establish an information exchange and report system. In this connection, we must not only continue the existing statistical reporting and work reporting systems, but also adopt modern mechanisms, including the computer, augment the use of telecommunications, if necessary, and introduce microcomputer control. Of course, the introduction of modern facilities is a gradual process which takes time, but we must accelerate that process so that we can meet the needs of our work as soon as possible. In strengthening information work, we must not content ourselves with the gathering of raw data, but should also improve their processing and analysis, paying particular attention to policy research. This requires our leading cadres to seriously discard their traditional preoccupation with trivia and prevent themselves from being drowned in a sea of details. Instead they must be resolved to make time to go to the forefront of finance and taxation to investigate and research, apply themselves to the solution of key issues and genuinely seize the initiative in reform and work.

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## MINERAL RESOURCES

### MINING TO BE LICENSED UNDER NEW LAW ON MINERAL RESOURCES

HK180833 Beijing CHINA DAILY in English 18 Mar 86 p 1

[By staff reporter Wu Jingshu]

[Text] The State will continue to encourage collective and private enterprises to take part in tapping the country's mineral resources, but will supervise them under a new licensing system, Zhu Xun, Minister of Geology and Mineral Resources, said yesterday.

More than 120,000 rural collective or private enterprises across China are now producing one-fourth of the country's coal, one-third of its iron ore, one-fifth of its gold and other non-ferrous metals and more than 70 percent of its raw building materials, Zhu told CHINA DAILY.

Last year, the 61,000 rural collective or private mines turned out 243 million tons of coal, 28.7 percent of the national total, Zhu pointed out.

These rural enterprises have not only contributed significantly to the national economy, but have also provided jobs for a major portion of unemployed labor, Zhu said. With the growth in agricultural productivity, only two farm hands are now needed to produce what three did a few years ago, he pointed out.

This large number of small mines should be organized under a coordinated system so that they will not waste the nation's wealth, nor harm its environment or public health, the minister said.

It is also necessary to set specific boundaries for each mining enterprise, so as to avoid disputes resulting from cross-mining. A number of small mines have blindly dug into areas of State-owned enterprises, Zhu noted.

A proposed new Law on Mineral Resources now being discussed by the Standing Committee of the National People's Congress would stipulate rules aimed at encouraging while regulating mining by State-owned as well as collective and private enterprises, Zhu said.

No mining would be allowed without a State license which could be revoked if the law were violated. The license could not be transferred, leased or sold to another person or enterprise or used as security for loans or mortgages, according to the draft of the law.

The law also would require mining enterprises to pay a "resource exploitation tax" and other fees to the State for tapping mineral resources, which are legally State property.

No mining activities would be allowed within specified areas of harbors, airports, defence projects, key industry or irrigation projects, urban facilities, railways, major rivers, State preserves, scenic spots or historical relics in China. The law also stipulates requirements for labor safety and environmental protection.

There is a special clause requiring mining enterprises to restore forests or farmland destroyed during mining, and to indemnify victims for loss of life or property, the minister told CHINA DAILY.

The Law on Mineral Resources, which is expected to be approved by the NPC Standing Committee tomorrow, covers all land marine resources in China and its offshore continental shelves, according to Zang Shengyuan, director of the Mineral Resources Development Bureau under the Ministry of Geology and Mineral Resources.

An ECONOMIC DAILY report said China will invest 4 billion yuan (\$1.3 billion) to increase coal production in certain coal producing areas between 1986 and 1990.

An office in charge of energy planning attached to the State Council was quoted as saying that coal bases in Shanxi, Henan, and Shaanxi provinces and the Inner Mongolia and Ningxia Hui autonomous regions are targeted for increased output.

Coal from these areas is projected to rise an average of 5.5 percent in the next five years, up 57 percent over the projected national increase of 3.5 percent. The mines will produce 460 million tons of coal in 1990, about 100 million tons more than in 1985.

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MINERAL RESOURCES

BRIEFS

MINERAL DISCOVERED IN QINGHAI--Lanzhou, 25 Mar (XINHUA)--A new mineral discovered by Chinese scientists in Qinghai Province has been internationally recognized. The green mineral, named zincvoltaite, was found by Li Wanmao and Chen Guoying of the Lanzhou University, Gansu Province, in their study of sulfide mineral deposits in the province's Xitie mountains. They were informed in a recent letter that the mineral and name have been recognized by the International Mineralogy Association Commission on new minerals and mineral names. [Text] [Beijing XINHUA in English 0252 GMT 25 Mar 86 OW] 12624

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INDUSTRY

FASHION DESIGN BOOMING INDUSTRY IN CHINA

OW170806 Beijing XINHUA in English 0639 GMT 17 Mar 86

[Text] Dalian, March 17 (XINHUA)--The fashion consciousness of China's half a billion women, regained after decades of restraint, has placed an insatiable demand on the garment industry. Over 200 fashion designers throughout the country, including many leaders from fashion research institutes, are here discussing how to cope with this situation.

The fashion designers feel the pressure to design seasonal clothes with the latest styles. They also feel that they must live up to the standards of traditional Chinese clothing, noted for exquisite handiwork, beautiful fabrics, and handmade frog closings rather than buttons. The clothes should be practical for everyday use and be moderately priced.

The fashion designing industry has grown at a spectacular pace over the past few years. In the early 50's, China was busy recuperating from its war wounds and working hard to get its people warmly clothed. As soon as the country's economy improved, Chinese women became more and more fashionable, as in 1956 and 1957. Later 3 years of natural disasters and the "Cultural Revolution" followed. It was only after 1978 that the Chinese women considered dressing up again.

The country now has over 100 fashion designing institutes and schools. Dalian City alone contributes some 1,000 new fashions a year to the market.

Chinese fashions won worldwide acclaim during the fashion show in Paris last September.

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INDUSTRY

ANHUI RAW MATERIALS DEVELOPMENT INCREASED

OW090720 Beijing XINHUA in English 0659 GMT 9 Mar 86

[Text] Hefei, March 9 (XINHUA)--Resource-rich, yet underdeveloped, Anhui Province is promoting inter-regional economic cooperation to speed up production of raw materials, a provincial official said here today.

Since 1983, Anhui has launched 50 schemes for production of cement, pig iron, and iron ore in cooperation with China's largest industrial city of Shanghai, and coastal Jiangsu and Zhejiang Provinces.

The official said that these would involve 250 million yuan (about 83 million U.S. dollars) in investment from the three economically developed areas.

When completed by 1990, the schemes will produce 2.3 million tons of cement, 400,000 tons of pig iron, and 600,000 tons of iron ore a year.

As part of the current reforms, the Chinese government is encouraging local authorities to break down regional barriers to achieve common economic growth and prosperity.

Anhui's reserves of iron ore are verified at 2.66 billion tons, and limestone, at 2 billion tons--among the largest in China. Yet the province lacks money to develop the resources.

With a fairly well developed processing industry, Shanghai, Jiangsu, and Zhejiang have sufficient funds but have insufficient supplies of raw materials.

In launching development schemes with Anhui, the areas will receive supplies of raw materials according to their investment ratio.

So inter-regional cooperation enables both partners to make up for each other's deficiencies for mutual benefit, the official said.

For example, the Shanghai and Jiangsu Metallurgical Industry Bureaus have spent 40.5 million yuan building a blast furnace with a volume of 300 cubic meters in the Anhui City of Wuhu.

The furnace will turn out at least 170,000 tons of pig iron annually upon completion later this year.

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INDUSTRY

INDUSTRIAL ZONE IN SHENYANG TO BE UPGRADED

OW282018 Beijing XINHUA in English 1433 GMT 28 Feb 86

[Text] Shenyang, February 28 (XINHUA)--A massive technical-upgrading program will be carried out in a Shenyang industrial zone during China's 7th 5-Year Plan which starts this year.

The zone, in this capital city of Liaoning Province, covers a 40 sq km area. It will be the first time an entire industrial zone has been retooled in China.

The Tiexi zone, which has been in existence for 60 years, has 470 factories which account for half of Shenyang's industrial output value.

Half of China's electrical transmitters and transformers are produced here as well as 70 percent of explosion-proof electrical equipment and appliances. The annual output of metal-cutting machine tools is 10,000--ranking second in China.

Under the upgrading program, the factories will be organized according to specialized production. Heating, storage, transport, personnel training, and medical centers will be built.

A thoroughfare will divide the zone into two parts--industrial area and residential quarters.

The zone will develop robots, digital-control systems, bio-engineering, optical fibers, lasers, vacuum technology, and new materials. By the turn of the century, most of its products will be up to world standards.

Shenyang authorities plan to spend 6 billion yuan on introducing new technology over the next 5 years and the zone's industrial output value is expected to increase 7.2 billion yuan.

The State Council has granted an increase in bank loans to the zone and approved a low income tax rate of 15 percent for local technology-intensive Sino-foreign ventures, co-operative enterprises, and factories with sole foreign investment as well as for energy and transport projects.

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INDUSTRY

MACHINE TOOL, ELECTRICAL EQUIPMENT QUALITY REQUIRED

HK140414 Beijing CHINA DAILY in English 14 Mar 86 p 2

[Article by staff reporter Chen Zhisong]

[Text] To raise product competitiveness on the international market and increase foreign exchange earnings, China has issued an interim circular requiring machine tools and electrical equipment to pass quality licensing before export.

The circular, entitled "Interim Regulations on Quality Licensing for Export of Machinery and Electrical Equipment," went into effect last month. It was jointly announced by the State Export and Import Commodity Inspection Bureau, the State Economic Commission, and the Office for Machinery and Electrical Equipment Exports under the State Council.

"To expand exports in this industry is a necessity for the country's future economic development, as similar experience in other countries has proven," Wang Jiuan, a senior official of the inspection bureau, said yesterday.

Compared to large exporters in other industries, China's machinery and electrical equipment export is small. In 1984, those exports amounted to \$2.2 billion, accounting for 9 percent of the country's export volume.

Export of these products last year dropped from the 1984 level. But the amount of decrease is still unknown, Wang said.

According to Wang, many developed and developing countries have designated exports of such items as a strategic target for national economic development.

In Japan, for example, electrical products make up 72.8 percent of export volume; in West Germany, 51 percent, and in the United States, 48 percent.

The circular makes it clear that all designated machine and electrical products must obtain a license of quality before they can be exported.

Once a license is obtained, it is not necessarily permanent. Inspection departments may revoke the license of a product if it later falls below quality standards.

All major machine and electrical products are covered by the regulation. The licenses will ensure that products are up to quality standard and properly packaged, Wang said.

Sun Zengxiang, leader of the Office for Machinery and Electrical Equipment Exports, which has been recently established to monitor exports in this sector, said that such manufactures have an important role to play in the country's overall export structure.

For the past few years, machine and electrical equipment exports in China was confined to small hardware and machine tools. But the industry has since diversified and expanded the scope of production.

China's machine and electrical products are mainly exported to Southeast Asia and Latin America.

World competition is intense and China must work to win its share of the market, Sun said.

It should also co-ordinate sales of machine and electrical products with servicing and spare parts supply.

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## SMALL-SCALE ENTERPRISES

### HENAN TOWNSHIP, TOWN ENTERPRISES SUPPORT RURAL ECONOMY

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 7 Feb 86 p 3

[Article: "Township and Town Enterprises Have Become a Pillar of the Rural Economy in Henan Province, Their Value of Output Exceeds 60 Percent of the Gross Value of Agricultural Output; Adapt to Local Conditions, Use Advantages and Avoid Weak Points, Raise Capital from Many Source, Focus on Development"]

[Text] Township and town enterprises in Henan Province made new progress in 1985. Their value of output surpassed 15 billion yuan, up by 4.93 billion yuan over 1984, and they accounted for more than 60 percent of the gross value of agricultural output in Henan, up from 45 percent in 1984. They have become an important pillar of the rural commodity economy.

In the past, the Henan Province Peoples's Government used intensive survey research as the foundation to achieve stable and sustained development in township and town enterprises and pointed out clearly that by adapting to local conditions, using advantages and avoiding weak points, they have made full use of Henan's convenient communications, large amount of surplus labor and rich advantages in agricultural, forestry and animal husbandry product resources and motivated the masses to raise capital and set up various types of processing plants to increase value through multi-level processing. In addition, they have summarized and extended typical experiences in raising capital to establish enterprises and found a way to deal with capital shortages. According to incomplete statistics, Henan raised nearly 1 billion yuan of capital in 1985 and set up more than 200,000 new enterprises, and the number of people involved rose by more than 1 million.

Xinxiang Prefecture, an area famous for high grain yields throughout China, used its surplus grain advantages and proximity to cities to readjust industrial deployments and product structures in township and town enterprises and made the food industry the focus of their development in the prefecture. The number of collective, private and association-run food plants and a stores passed 500 to 1985 and the amount of grain converted during the year exceeded 140 million jin. Many of their products are sold not only throughout Henan but also are being welcomed by consumers in Beijing, Shanghai, Tianjin, Guangzhou, and other large cities. Some products also have moved into international markets.

The vigorous development of township and town enterprises has provided considerable capital for the development of agriculture, forestry, and animal husbandry. All areas are taking out a specific proportion of the profits from township and town enterprises to improve production conditions and set up various activities to serve agricultural production and the peasants' lives.

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SMALL-SCALE ENTERPRISES

JIANGSU TOWNSHIP, TOWN ENTERPRISES SUPPORT AGRICULTURE

Beijing RENMIN RIBAO in Chinese 16 Feb 86 p 1

[Article: "Township and Town Enterprises in Jiangsu Strengthen Their Support of Capital Construction in Agriculture, Implement the Principle of 'Using Industry To Subsidize Agriculture, and Establish 'Agricultural Construction Funds' To Promote Stable Growth in Agricultural Production During the Seventh 5-Year Plan"]

[Text] Jiangsu, a province that has seen fairly rapid development of township and town enterprises, proposed in 1986 that township and town enterprises should work harder to "use industry to support agriculture" and raise capital to accelerate capital construction for agricultural materials and technologies and guarantee stable development in agriculture. The Jiangsu CPC Committee and provincial governmental decided recently to set aside a portion of after-tax profits, bonus taxes, and other items in township and town enterprises to establish agricultural construction funds.

Beginning in the 1970's, township and town enterprises in Jiangsu proposed the principle of "organizing industries around agriculture and using industry to promote agriculture." Township and town enterprises throughout Jiangsu not only have provided jobs for about 6 million surplus agricultural laborers but they also have set aside a substantial portion of capital from industrial profits to subsidize agriculture or to participate directly in distribution of benefits to peasants. They have played an important role in achieving sustained, stable and coordinated development of agriculture in Jiangsu. According to statistics, the amount of capital accumulated by township and town enterprises for the purposes of agricultural production and rural construction during the Sixth 5-Year Plan was 2.47 billion yuan. Excellent momentum was maintained in the development of township and town enterprises throughout Jiangsu in 1985 and their value of output has been estimated at 40 million yuan or about one-third of the gross value of industrial and agricultural output, and capital turnover over to townships and villages to subsidize agriculture reached 700 million yuan. As a result, despite natural disasters and readjustments in area over the past 2 years, grain output in Jiangsu still maintained a per capital level of 1,000 jin and there were significant increases in oil crops, pigs, aquacultural goods, sugar, cigarettes, silkworms, tea, and other farm products.

After recent survey research, leading comrades in the Jiangsu CPC Committee pointed out that agricultural development in the future should combine efforts to improve yields with gradual development of management at an appropriate scale to improve agricultural labor productivity. This requires efforts to strengthen the material and technical foundation of agriculture. Although the amount of capital used for agricultural equipment while "using industry to subsidize agriculture" has declined in the past few years, expenditures used for peasant income subsidies and various social activities and collective welfare have increased year after year and generally fall into a roughly 40:60 ratio. In the future, the focus should be placed on strengthening the material and technical foundation of agriculture. Phenomena engendered by "insufficient reserve strengths" like declining land fertility, neglecting conservancy facilities, aging of farm machinery and so on are common in agriculture at present. For this purpose, the Jiangsu CPC Committee and government have proposed clearly that the proportion of "agricultural subsidies" to investments in capital construction in agriculture should provide firmer guarantees for the fundamental status of agriculture in the national economy. According to estimates for southern Jiangsu, a place where township and town enterprises developed rather early, if township and town enterprises used 10 percent of their after-tax profits they could provide 400 to 500 million yuan a year during the Seventh 5-Year Plan and 600 to 700 million yuan a year during the Eighth 5-Year plan. Township and village agricultural construction funds should be used mainly to purchase agricultural machinery and equipment, to repair and build small farmland water conservancy facilities and roads and bridges on farmland, and to build township electrical power lines and other service facilities for agricultural production. The funds are controlled and utilized for cooperative economic organizations and the township level is subject to auditing and supervision by township financial authorities and banks.

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CONSTRUCTION

APPROVAL GRANTED TO BUILD GUANGXI ALUMINUM COMPLEX

HK070537 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 7 Mar 86 p 5

[Article by Paul Sham]

[Text] Beijing has given the nod for the construction of a large-scale aluminium complex in Guangxi Province, according to the president of China National Non-Ferrous Metals Import and Export Corp., Mr Zheng Rugui.

He said the government has been very supportive of the project following the completion of a detailed feasibility study jointly undertaken by the French Pechiney group, Wimpey of Britain, and the Chinese Company.

Mr Zheng is heading a trade delegation which is holding the 15-day China Non-Ferrous Metals and Import and Export Business Discussion, which got underway in Hong Kong yesterday.

"What is left now is to locate the right foreign partners," he said, adding the project is likely to include investors from more than two countries.

Mr Zheng said the company has negotiated with firms from West Germany, Switzerland, and Canada, as well as with Pechiney and Wimpey.

"To meet China's goal of doubling the production of non-ferrous metals by 1990, the foreign partners will be selected within this year," he said.

According to the feasibility report, the project will be completed in phases, with the first phase starting production by 1990.

Phase one, costing U.S. \$700 million, comprises an alumina refining plant with an annual production capacity of 300,000 tons and an aluminium smelter producing 100,000 tons.

Mr Zheng said approval of the project was speeded up by the completion of a hydropower station nearby.

"Since aluminium production requires a lot of electricity, the energy provided by coal-fired or oil-fired power plants would be uneconomical," he said.

About 10,000 kilowatt hours of power is needed to produce one ton of aluminium.

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DOMESTIC TRADE

COMMODITY RETAIL MARKET STABLE DURING JAN-FEB

OW190953 Beijing XINHUA in English 0901 GMT 19 Mar 86

[Text] Beijing, 19 Mar (XINHUA)--Commodity retail sales in China totaled 72.59 billion yuan in the first two months of this year, up 7.8 percent over the same period last year, today's ECONOMIC DAILY reported.

The Chinese market has slowed down and stabilized due to currency controls established by the central government. Currency was withdrawn from circulation in January and February rather than put into circulation, as was done last year.

The amount of consumer goods purchased by enterprises in the first two months went up by one percent over 1985, down from a 43.6 percent increase in the first two months of 1985 over that of 1984.

State-run shops purchased 34.3 billion yuan worth of industrial goods in the first two months, an increase of 1.1 percent over the same period last year. Durable goods, including color television sets, electric fans, washing machines and refrigerators, registered a big increase.

According to statistics provided by 30 large department stores, the sale of cassette recorders in January and February dropped by 9.4 percent compared to the same period last year. But the sale of high-grade recorders was 4.6 times higher than the same period last year.

The sale of single-tub (wash cycle only) washing machines dropped by 67 percent and double-tub washing machines (wash and spin cycles) rose by 57.6 percent. Summer clothes sold well in January and February, according to the statistics.

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9 April 1986

## DOMESTIC TRADE

## CONSUMER SPENDING INCREASES IN LARGE CITIES

OW240830 Beijing XINHUA in English 0647 GMT 24 Mar 86

[Text] Beijing, 24 Mar (XINHUA)--Spending on consumer goods in Beijing, Shanghai and Tianjin this year is expected to increase at least 15 percent over last year, today's ECONOMIC DAILY reported.

Commercial departments in the country's three largest cities predicted that consumer spending would rise 16 percent to 15 billion yuan in Beijing, 15 percent to 7.8 billion yuan in Tianjin, and 15.6 percent to 18.5 billion yuan in Shanghai.

The demand for high-ticket domestic electrical appliances such as televisions, refrigerators, washing machines and cassette recorders will continue to grow while that for alarm-clocks and sewing machines will continue to drop.

In Beijing, consumers show growing interest in electric heating units, decorative lamps, tonic medicines, cosmetics and cameras and cotton cloth, silk fabrics, and leather and sport shoes. Interest in western suits and plastic shoes is fading.

Electronic and lady's mechanical watches are popular in Tianjin and the demand for pianos cannot be met.

People in Shanghai will spend more money this year for clothing and durable goods than for food. Consumers will spend more on non-staple foods, allowing the spending on staple foods to fall to 10.4 percent. Nutritious, instant, and prepared food will be popular and the sale of coordinated clothing will be up 10 percent this year over last.

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## FOREIGN TRADE AND INVESTMENT

### ADJUSTMENT OF TAX BREAKS TO FOREIGN INVESTORS DISCUSSED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 8, 5 Aug 85 pp 25-27

[Article by Sun Nanshen [1327 0589 3947]: "On China's Preferential Tax System Concerning Foreign Investment"]

[Text] I. Characteristics of China's Preferential Tax System Concerning Foreign Nationals

Tax preference is a preferential measure widely adopted by developing countries to encourage foreign investment. It is also the main content of preferential treatment for investors. Because the tax policy of the host country affects the amount of returns on investment, it is one of the crucial questions that foreign investors must consider before they invest. The guiding ideology of China's preferential tax system concerning foreign nationals is to remain attractive to foreign investors on the prerequisite of safeguarding state rights and interests. According to China's tax law concerning foreign nationals, only a few categories of taxes are levied on foreign investment. In addition to customs tariffs, there are mainly two kinds--income tax and uniform industrial and commercial taxes. The former is calculated according to enterprise profits; the latter are calculated according to the sales volume of products and are included in production costs. The main principles of preference are "light taxation, generous preferential treatment, and simple procedures." "Light taxation" is demonstrated as low tax rates, and "generous preferential treatment" is demonstrated as tax reduction and exemption. Preference is demonstrated through comparison.

First, compared with the existing enterprises of the host country, foreign investors demand at least indiscriminatory treatment in taxes, to avoid the risk of high taxes. This constitutes no problem in China, because the income taxes of foreign enterprises and Chinese-foreign joint ventures are levied according to progressive and fixed tax rates respectively. The lowest income tax rate of foreign enterprises is 20 percent and the highest is 40 percent. When 10-percent local income taxes are added, their actual tax payment is between 30 and 50 percent. The income tax rate of joint ventures is 30 percent, when 10-percent local taxes calculated according to the amount of tax payment are added, their actual tax payment is 33 percent. (In special economic zones, the income tax rates of both kinds of enterprises are all



fixed at 15 percent.) Compared with China's state-run enterprises, these two tax rates are both on the low side. According Ministry of Finance stipulations issued in 1983, all profit-making large and medium-sized state-run enterprises in China should pay taxes according to a fixed rate, which is 55 percent, and all small enterprises should pay taxes according to an eight-level progressive tax rate of which the highest level is also 55 percent. In regard to uniform industrial and commercial taxes, China uses the principle of "going for the lower one." In other words, if the rate of uniform industrial and commercial taxes levied on Chinese-foreign joint ventures and cooperative enterprises is higher than the current rate of domestic industrial and commercial taxes (suitable for state-run enterprises), the former will be collected according to the rate of the latter. If the rate of uniform industrial and commercial taxes is lower than the rate of industrial and commercial taxes, the former will be collected according to the original rate. The principle is to go for the lower rather than the higher one. Moreover, if enterprises concerning foreign nationals which produce export products have difficulty paying taxes according to stipulations, they may apply for reduction or exemption of uniform industrial and commercial taxes. This is what state-run enterprises cannot enjoy.

Second, China's tax rates are also on the moderate and low side compared with the enterprise income taxes (corporation income taxes) of investors' countries. This is extremely important to foreign investors because the fact that the tax rate of the host country is lower than the tax rate of their own country is also a reason why they are investing in foreign countries. Corporate tax rates are 52 percent in Britain, 50 percent in France and the United States, and 50.7 percent in Japan.

Last, China is compared with some developing countries. Before investing, foreign investors always compare China with some countries in Southeast Asia to decide where to invest. Compared with these countries, China's enterprise income tax rate is also on the moderate and low side. For instance, the enterprise income tax rate is 55 to 65 percent in India, 45 percent in Indonesia, and 40 percent in Malaysia. At the same time, China only levies a 10-percent remittance tax on investment returns according to the amount remitted, whereas the remittance tax is 20 percent in both Indonesia and South Korea. However, China's tax reduction and exemption period is shorter compared with these countries. For instance, newly established joint ventures which will be in operation for over 10 years may enjoy tax exemption in the first and second year and 50 percent of tax reduction in the third year beginning from the year they first make profits; whereas in all Southeast Asian countries, they can apply for over 5 years of tax exemption.

## II. On the Issue of the Practical Results of Tax Preference

The purpose of adopting preferential taxes is to attract foreign investors. From this perspective, China's preferential tax system has generated some definite benefits, but it has not yielded the expected results. There is an opinion at home which thinks that China's tax rate is too high and needs to be lowered and that China's tax exemption period is too short and needs to be extended. This is a question demanding careful study and consideration of other related factors:

1. The question of tax credit and exemption: Taxing foreign investors is not a simple question of distributing income between a host country and investors. It concerns the division of rights and interests, especially income taxes, between countries. After an enterprise either funded by or involving foreign nationals earns profits in China, it should pay taxes to China, but its investors should also pay taxes to their own country. This is where the question of double taxation arises. According to the principle of giving priority to regional jurisdiction, the investor's country is generally considered to be responsible for solving the problem of double taxation. Sometimes this is solved by signing a bilateral tax agreement between countries. There are two ways of avoiding double taxation: credit and exemption systems. Under the credit system, the investor's country maintains the right to levy taxes on the investor's overseas income while investors are allowed to deduct the amount of taxes they have paid in the host country from the amount of taxes they are supposed to pay at home. Under the exemption system, the government of investor's country exempts investors from paying taxes on the income they earned overseas. In fact, at present, most countries have regulations on automatic allowance of tax credit in their domestic tax laws, and tax credit has already become a universally recognized international practice. Very few countries--only France and Holland--use the tax exemption system and that is under additional restrictive conditions. Nevertheless, there are also countries that employ the tax exemption system in bilateral tax agreements. In the past few years, since many developing countries have adopted tax reduction and exemption preferential measures, a corresponding tax concession and credit system has appeared in tax treaties. Under this system, the investor's country gives credit to tax reduction and exemption specified in the tax law of the host country and does not levy additional taxes according to domestic tax rates. Developing countries generally do not like to stipulate the tax concession and credit system in domestic tax laws. Instead, they draw up such rules through bilateral tax treaty negotiations. For instance, Britain, France, West Germany, and Japan have done this.

2. Conditions for the success of tax preference: From the perspective of taxation, foreign investors can gain real benefits from the host country only under the following two conditions: first, when investors come from companies or enterprises in "free ports" or "duty-free ports" (because they are low-tax or tax-free areas, there is no such problem as double taxation and tax credit); and second, when a bilateral tax agreement is signed on adopting a tax exemption or concession system. Under ordinary tax credit systems, in spite of the lower tax rates and tax reduction and exemptions of China's preferential system, the government of the investor's country can make up the difference by levying taxes according to domestic tax rates. This to varying degrees enables foreign governments to collect taxes that belong to China, thus forfeiting China's rights and interests to foreign countries. Therefore, the unilateral tax reduction and exemption preferential treatment of the host country can only result in the transfer of state revenue between countries instead of giving actual encouragement to investors. China must step up efforts to negotiate and sign tax agreements with developed Western countries and use preferential tax measures as catalysts to speed up the progress of foreign investment and play a genuine role in absorbing foreign investment. Some developing countries allow a longer period of tax reduction and exemption compared with China, but some of them give such preferential treatment on the

basis of signing bilateral tax agreements. For instance, Malaysia and Singapore have signed bilateral tax agreements with a dozen countries including Japan, Britain, Denmark, and Norway, whereas China has to date signed such agreements with only the United States and Japan.

3. Proper estimation of the effect of tax preference: Tax preference is not a decisive factor in attracting foreign investment. The key to determining the direction of investment lies in whether investment and operational results are good or bad and whether profits are high or low. If investment returns are great, in spite of a higher tax rate in the host country, foreign investors still benefit because base profits are higher; conversely, if investment returns are small, in spite of a lower tax rate in the host country, foreign investors still cannot earn much profits. Therefore, this kind of preferential treatment cannot really serve its purpose. Legal protection of investment, markets, prices, supply of raw materials, investment and operational results, and other factors all have vital bearing on investment returns. If we fail to handle these problems properly, foreign investors would refuse to invest in China for fear of difficulties in making profits no matter how low the tax rate is. Therefore, while studying the practical results of tax preference, we should consider these problems and adopt some practical and effective measures.

### III. Suggestions for Readjusting Preferential Taxes

1. Custom tariffs and uniform industrial and commercial taxes: Under the current situation, to further relax tax policies, we should first consider custom tariffs and uniform industrial and commercial taxes. First, machinery equipment and other goods and materials shipped by investors to the host country should be exempted from custom tariffs and other industrial and commercial consolidated taxes during the process of import. Since the prices of machinery are high, exemption of import tariffs can lower the cost of investment and production for investors and achieve immediate results. Exemption of uniform industrial and commercial taxes (namely sales taxes) can lower the sales prices of products, make products more competitive on the market, and thereby benefit investors. China's preferential measures in these two areas have been basically successful. However, some problems still exist, and further readjustment appears necessary.

First, in order to encourage exports, we suggest that enterprises involving foreign nationals that produce export products be exempted from import tariffs to replace the current stipulation of 85- to 95-percent tax exemption.

Second, enterprises involving foreign nationals which sell part of their products on the domestic market may be given a certain percentage of tax reduction, say 30 percent reduction in import tariffs and uniform industrial and commercial taxes, when they adopt advanced technology which is urgently needed in China or related to China's key construction projects.

Third, export products of export enterprises may be exempted from uniform industrial and commercial taxes (sales taxes). At present, China levies taxes on enterprises involving foreign nationals according to the principle of "going for the lower rate."

2. Enterprise income taxes: First of all, we should sign bilateral tax agreements with countries concerned as soon as possible. Only after adopting the tax exemption or concession system on this basis should we consider whether to further relax restrictions on the preferential treatment of enterprise income taxes. For instance, we may consider adopting the following preferential measures:

First, we may extend the tax exemption period; for joint ventures, it is proper not to exceed 5 years.

Second, joint ventures will not be taxed according to the income tax law of foreign enterprises. Instead, they should be taxed according to the income tax law of cooperative enterprises; the tax rate should not exceed 30 percent. Investment projects which play an important role in the development of China's national economy or bring in advanced technology may be given a certain period of tax exemption and reduction, say 3 years. In sum, the nature of the enterprise should be considered when determining the tax exemption period for either a joint venture or cooperative enterprise. For enterprises with a small amount of investment and a short period of investment recovery, the tax exemption period may be shorter; for those with highly intensive capital and a long investment recovery period, the tax exemption period may be longer or preferential treatment in the form of lower tax rates may be granted.

Third, joint ventures which have a large amount of investment and adopt advanced technology urgently needed by China should be exempted from remittance taxes on investment returns.

3. Legal procedures: Various forms of preferential tax treatment to foreign investors must have a legal basis and undergo legislative procedures. At present, there are already some measures of further deregulation in China's preferential tax policies (such as joint ventures which are exempted from taxes in the first and second year, receive 50-percent tax reduction in the third year, and are taxed according to lower uniform industrial and commercial tax rates). These measures have already been implemented. Especially in the 14 open cities on the coast, foreign investors have already been given tax treatment more favorable than in inland China. All these must quickly go through legislative procedures. On the one hand, this is to make foreign investors pay taxes according to law and win their trust with legal procedures; otherwise, investors would have unnecessary doubts and misgivings. On the other hand, this is to gain international recognition and tax concession and credit, which are impossible without going through legal procedures even if China grants the preferential treatment of tax reduction and exemption.

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## FOREIGN TRADE AND INVESTMENT

### IMPACT OF INVESTMENT, DEPRECIATION ON JOINT VENTURE TAXES

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 8, 5 Aug 85 pp 28-31

[Article by Liu Zhibiao [0491 1807 1753]: "Impact of Investment and Depreciation on Joint Venture Income Tax"]

[Text] The Detailed Rules and Regulations for the Enforcement of the Income Tax Law of the PRC Concerning Joint Ventures with Chinese and Foreign Investment, promulgated by the Ministry of Finance, prescribe the shortest depreciation periods for three types of fixed assets of joint venture enterprises. These enforcement regulations not only manifest China's flexible policy of favorably shortening depreciation, but also a policy of encouraging the reinvestment of profits by the partners.

What impact and effect will the acceleration of depreciation and the reinvestments have on the taxable amounts of Chinese-foreign joint ventures? This question has a bearing not only on the attractiveness of foreign investments, but also on how the interests of the Chinese side may be accurately reflected. It is generally accepted among theorists that accelerated depreciation delays payment of income tax, and that reinvestment pushes the date for tax payments even further away. However, the concrete impact of these two factors on the collection of taxes from joint ventures, especially its quantitative analysis, has so far never been systematically and thoroughly studied in China, and it is to this issue that the present article will speak.

At the start of our study, we must first clarify two preconditions:

First, since we are going to study the concrete impact of depreciation and reinvestment methods of the enforcement regulations to the income tax law, we will have to proceed according to the depreciation method prescribed in the enforcement regulations. Article 12 of these regulations prescribes that the "depreciation of the fixed assets" of a joint venture "shall generally be calculated on average by using the straight line method." In my opinion, since it is the straight line method of depreciation, it will also reflect the substance of "accelerated depreciation," because speedy or slow depreciation is not judged by increases in the amount of depreciation in the present period as compared with the amount in the preceding period, but by whether the years of depreciation of the fixed assets have been shortened.

Second, to simplify the process of quantitative analysis, we take the average annual growth rate of fixed asset investments as representing the conditions of reinvestment. In this way, if viewed from the standpoint of the individual joint enterprises, since investments will be made to different places, some into the enterprise and some into other enterprises, and since, furthermore, the individual enterprise will not increase its reinvestments every year at the same rate, the above assumption, applied to an individual case or the overall situation, appears to be inappropriate. However, if viewed in overall perspective or macroeconomic perspective, the said assumption can still be found acceptable. As far as the finance departments and the state are concerned, what is required is precisely this macroeconomic conclusion.

In the following we shall discuss the relationship between investment, depreciation and taxation of joint ventures under three conditions, which are delineated according to the differences in investment methods and speed of depreciation.

#### Condition 1: Differences in Taxation in the Case of One-Time Investment and in the Case of Continuous Investments

One-time investment refers to the method of investing a certain amount of fixed assets by the joint partners at the start of the joint venture, without any further investments of fixed assets being made later during the joint operations of the joint venture. Continuous investments refers to repeated new investments of certain amounts of fixed assets made every year by the joint partners, in addition to the initial investment of a certain amount of fixed assets made at the start of the joint operations. How do these two different methods of investments show up in the income tax collections or remittances of the joint ventures?

Let us assume:

$C_0$  = investment of fixed assets at the start of the joint venture;

$r$  = average annual growth rate of fixed asset investments  
(showing a pattern of a continuous nature of investments);

$R$  = fixed number of years of depreciation for fixed assets in accelerated depreciation;

$t$  = years that have passed since establishment of the joint venture  
(if this article designates periods for the duration of the joint venture that are longer than the fixed number of years of depreciation prescribed in the tax law, it means assuming an average number of years of depreciation of all fixed assets, from a macroeconomic perspective);

$D_1, D_2$  denote the annual average amounts of depreciation under conditions of one-time investment and continuous investments, respectively.

Under precondition 1, we know that under conditions of one-time investment, the average annual amount of depreciation

$$D_1 = Co / R \quad (1)$$

Under the condition of continuous investments, the computation of average annual amounts of depreciation of the fixed assets is somewhat complex. If  $t \leq R$ , it means when the joint venture time has not yet exceeded the fixed number of years set for accelerated depreciation in the tax law, since investments proceed according to  $r$ , therefore, in  $t$  number of years, the total amounts of fixed assets accumulated in the continuous investments is:

$$\begin{aligned} & Co + Co(1+r) + Co(1+r)^2 + \dots + Co(1+r)^t \\ & = Co [1 + (1+r) + (1+r)^2 + \dots + (1+r)^t] \end{aligned} \quad (2)$$

The values within brackets in Formula (2) are geometrical series. Using them to obtain a formula, we know that their sum is  $(1+r)^{t+1} - 1/r$ .

Thus Formula (2) becomes

$$Co \times \frac{(1+r)^{t+1} - 1}{r} \quad (t \leq R) \quad (3)$$

because  $D_2 =$

$$Co \times \frac{(1+r)^{t+1} - 1}{Rr} \quad (t \leq R) \quad (4)$$

From Formulas (1) and (4) we can obtain a comparison of annual depreciation amounts under the two different conditions:

$$\frac{D_2}{D_1} = \frac{(1+r)^{t+1} - 1}{r} \quad \text{或} \quad D_2 = D_1 \times \frac{(1+r)^{t+1} - 1}{r} \quad (5)$$

From Formula (5) we see that  $t = 1$ -time, that is, that in the first year of the joint venture  $D_2 = D_1$ ; as  $t$  gradually increases in value, that is, when the number of years for the venture are lengthened, ( $t \leq R$ ) the difference between  $D_2$  and  $D_1$  gradually widens. The reasons are very obvious, although the rate of depreciation is set the same for both methods of investments, depreciation figured at the  $1/R$  ratio for the fixed assets introduced in continuous investments, will result in  $D_2 > D_1$ . Formula (5) shows that the depreciation charge computed for continuous investments is  $(1+r)^{t+1} - 1/r$ -fold that of the one-time investment. ( $t = 1, 2, \dots, R$ )

We must mention here that if  $t > R$ , i.e. if the original value of fixed assets, introduced  $R$  years before, has been fully depreciated and accordingly written off in the statement of assets of the enterprise, there is still a leftover in values of fixed assets under conditions of continued investments:

$$\begin{aligned} & Co(1+r)^{t-R} + Co(1+r)^{t-R-1} + \dots + Co(1+r)^t = \\ & \frac{Co(1+r)^t [1 - (1+r)^R]}{r} \quad (t > R \quad t = R+1, R+2, \dots) \end{aligned} \quad (6)$$

Thus it is still possible to deduct an amount of depreciation every year:

$$D_t = \frac{C_0 (1+r)^t [1 - (1+r)^{-R}]}{rR} \quad (t=R+1, R+2, \dots) \quad (7)$$

Because under the condition of a one-time investment full depreciation has already taken place, the pattern of relationships shown in formula (7) is the  $D_2$  and  $D_1$  difference between continuous investments and one-time investment when  $t > R$ .

The Chinese tax law prescribes that the taxation of joint ventures shall be carried out according to the amount of their profits according to a fixed rate of 33 percent (see Articles 2 and 3 of the Joint Venture Income Tax Law). On this basis it is not difficult to obtain the difference between the taxation of the incomes of the two kinds of investments.

If under the conditions of one-time investment and continuous investments, the sales returns of the joint venture and the level of production costs are the same (here referring to costs after deducting depreciation charges), then the difference in the income tax taxation is:

$$S = D_1 \times 33\% \times \frac{r+1 - (1+r)^t}{r} \quad (t \leq R) \quad (8)$$

In consideration of the fact that an enterprise with continuous investments will generally be in a better position to make profits than an enterprise with one-time investment, we have:

$$\begin{aligned} S' &= [Y - X - D_1 \times \frac{(1+r)^t - 1}{r} - Y' + X' + D_1] \times 33\% \\ &= \left[ (Y - Y') - (X - X') + D_1 \times \frac{r+1 - (1+r)^t}{r} \right] \times 33\% \quad (t=1, 2, 3, \dots, R) \end{aligned} \quad (9)$$

In Formula (9),  $y$  and  $y'$  are annual sales income under the two types of investment patterns;  $X$  and  $X'$  are their costs (having deducted the annual depreciation portions).

#### Condition 2: Difference in Income Tax Under Different Speeds of Investment

Continuing the use of the same symbols as under condition 1, we can obtain from Formulas (2), (3), and (4):

$$D_1' = C_0 \times \frac{(1+r_1)^t - 1}{r_1 R}, \quad D_2' = C_0 \times \frac{(1+r_2)^t - 1}{r_2 R} \quad (10)$$

In Formula (10),  $D_1'$  and  $D_2'$  are annual depreciation amounts deducted under the conditions of speed of the two types of investment patterns;  $r_1$  and  $r_2$  are the two different investment speeds (in which  $r_2 > r_1$ ).



If  $t \leq R$ , that is, if the fixed investments introduced  $R$ -years ago are still not yet written off from the balance sheet, we have:

$$\frac{D_t}{D_1} = \frac{r_1}{r_2} \times \frac{(1+r_2)^t - 1}{(1+r_1)^t - 1} \quad \text{或者} \quad D_t = \frac{r_1 D_1}{r_2} \times \frac{(1+r_2)^t - 1}{(1+r_1)^t - 1} \quad (t=1, 2, \dots, R-1, R) \quad (11)$$

If  $t > R$ , that is, if the fixed assets introduced  $R$  years ago have been written off from the balance sheet, and if investment proceeds under the  $r_1$  rule, the remainder of the original value of the fixed assets on the balance sheet is:

$$\begin{aligned} & Co (1+r_1)^{t-R} + Co (1+r_1)^{t-R-1} + \dots + Co (1+r_1)^t \\ &= \frac{Co (1+r_1)^t [1 - (1+r_1)^{-R}]}{r_1} \end{aligned} \quad (12)$$

For the same reason, the original value of the fixed investments under the condition of investments proceeding according to the  $r_2$  rule would be:

$$\frac{Co (1+r_2)^t [1 - (1+r_2)^{-R}]}{r_2} \quad (13)$$

Therefore, if  $t > R$ ,

$$\frac{D_t}{D_1} = \frac{r_2}{r_1} \times \left( \frac{1+r_1}{1+r_2} \right)^t \times \frac{1 - (1+r_1)^{-R}}{1 - (1+r_2)^{-R}} \quad (14)$$

As to when  $r_2 > r_1$ , the analysis of income tax collection can be carried out according to condition 1; we need not go into further detail here.

Condition 3: Differences in Income Tax Under Two Different Speeds of Depreciation

The enforcement regulations of China's tax law prescribe that "a joint venture which needs to accelerate depreciation or change the method of depreciation of its fixed assets due to special reasons may submit an application for examination by the local tax authorities who shall subsequently report level by level to the Ministry of Finance for approval." The following are such cases of "special reasons": (1) If the term of the joint venture is shorter than the years of depreciation set by the tax law and the assets on completion of the term of the joint venture revert as property to the Chinese side. (2) Cases of easily spoiled equipment and factory buildings and constructions exposed for many years to vibrations. (3) Machinery and equipment in very intensive use. The depreciation speed mentioned here is, according to my understanding, a further acceleration on the basis of accelerated depreciation possible according to the tax law for the three kinds of equipment and structures. This further acceleration is bound to have a certain impact on the collection of income tax by the Chinese side, and is an even more

favorable treatment for the joint venture enterprises; it is therefore necessary to study this policy carefully.

In the same way, we can see from Formulas (2), (3), and (4):

$$D_1'' = \frac{(1+r)^t - 1}{rR_1}, D_2'' = \frac{(1+r)^t - 1}{rR_2} \quad (15)$$

In Formula (15),  $D_1''$  and  $D_2''$  is the depreciation charge under the conditions of the two types of depreciation speeds.  $R_1$  and  $R_2$  are the regular number of years of depreciation prescribed in the tax law and the number of years for accelerated depreciation due to special reasons. ( $R_1 > R_2$ )

In condition 3 it is also possible to study in two stages:

First stage, if  $t < R_2 < R_1$ , we know from formula (15):

$$\frac{D_2''}{D_1''} = \frac{R_1}{R_2} \text{ 或 } D_2'' = D_1'' \times \frac{R_1}{R_2} \quad (16)$$

That means, at the time when the term of the joint venture does not yet exceed the number of years  $R_2$  of accelerated depreciation, the depreciation charge, according to  $1/R_2$ , is  $R_1/R_2$  times  $1/R_1$ .

Second stage, if  $R_2 \leq t < R_1$ , we know from Formulas (12) or (13):

$$D_1'' = \frac{Co (1+r)^t [1 - (1+r)^{R_1}]}{rR_1}, D_2'' = \frac{Co (1+r)^t [1 - (1+r)^{R_2}]}{rR_2} \quad (17)$$

Thus obtaining

$$\frac{D_2''}{D_1''} = \frac{R_1}{R_2} \times \frac{1 - (1+r)^{R_2}}{1 - (1+r)^{R_1}} \quad (18)$$

A simple analysis of Formulas (16) and (18) reveals that the accelerated depreciation for special reasons will allow payment of less income tax than in case of the normal depreciation prescribed by law, and if the investments are being continuously carried out, then there will be continuously less tax to pay.

The accelerated depreciation method, which helped to reduce tax payments, plays an important role in the process of attracting foreign investments. Especially in the present situation, when China has not yet signed agreements with most countries for the prevention of double taxation, it may use the fact that foreign businessmen coming to invest are granted so much more preferential treatment as a more effective and powerful way of attracting foreign capital. Of course, on the other hand, to realize a proper income for the Chinese side, we could use a flexible accelerated depreciation policy, instead of a policy of granting preferential treatment by reducing taxes or exempting from taxes. We may formulate: all enterprises that enjoy the favorable treatment of accelerated depreciation shall not also be entitled to

any favorable treatment by way of tax reductions or exemptions. On this question, the most important factor is the "extent" of the limits in benefits, which requires us to precisely compute and analyze the relationships between depreciation, investments, and income tax revenue. When carrying out such analyses and computations, we must give consideration to the sales returns of the joint venture enterprises and the level of their production costs. Because differences will arise on this issue depending upon the differences of places and trades, we shall not discuss this topic further; but the formulas presented in this article may be used in basic analyses of the issue.

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CSO: 4006/131

FOREIGN TRADE AND INVESTMENT

PROSPECTS FOR CHINESE-SINGAPOREAN ECONOMIC COOPERATION

Beijing LIAOWANG [OUTLOOK] in Chinese No 39, 30 Oct 85 p 7

[Article by Gu Wenfu [7357 2429 4395] and Zhu Minzhi [2612 2404 0037]: "Expand the Field of Chinese-Singaporean Cooperation; Report on Prime Minister Lee Kuan Yew's Visit to China"]

[Excerpt] Developing economic cooperation is the common wish and need of China and Singapore. During this visit to China, Lee Kuan Yew repeatedly emphasized "the existence of broad cooperation between China and Singapore." In the past 20 years, Singapore's economy has developed by leaps and bounds. In the past, this island country which had only 2.5 million people was nothing but a transfer port. But because the Singaporean government fully used geographical advantages, formulated policies suitable for its national conditions, opened up to foreign countries, and imported foreign funds, technology and personnel, it opened up a road to high speed modernization. However, in recent years, due to international economic depression and the influence of protectionism, Singapore's economy has had some difficulties. In the second half of 1983, it began to decline. In the second quarter of 1985, it began to have a negative growth rate. Facing this situation, Singapore needs to seek new economic cooperation and trade partners. Lee Kuan Yew himself also thinks that Singapore's economy is in depression and "it must seek new field of growth" and "quickly resume the ability to compete within 2 to 3 years." China, which is carrying out the four modernizations, is an economic cooperation and trade partner of great potential. To implement the open door policy, China needs foreign funds, technology and personnel to accelerate economic development. Therefore, to China, Singapore is also a possible cooperation partner. During the meeting with Prime Minister Lee Kuan Yew, Premier Zhao Ziyang emphatically pointed out that China has always paid great attention to Singapore's experience in economic construction and that there is great potential for cooperation between the two countries.

Accompanying Lee Kuan Yew in this visit were a number of ministers and high-ranking officials from economic, trade, industrial and commercial departments. During the visit, both sides vigorously and thoroughly discussed the new fields and ways of expanding Chinese-Singaporean economic cooperation. Both sides believe that there is a lot more room for trade development between them. Trade volume between the two countries exceeded \$1.4 billion in 1984 and is expected to reach \$2 billion in 1985. This time, both sides hoped that they

can carry out long-term cooperation in regard to petrochemical products. Both sides are optimistic about developing Chinese-Singaporean trade. The Chinese side said that China will not abandon old trade partners and traditional trade channels on account of new trade partners and that Chinese-Singaporean trade will make further development on original basis.

In the past few years, over 20 projects of economic cooperation between the two countries have been completed and over 150 projects are being negotiated or have already reached agreement. These cooperation projects cover hotels, building construction, the petrochemical industry, urban housing, electronics and harbor management. Since 1983, there have been over 30 cases in which Singaporean businessmen came to invest directly in China or carried out cooperative projects. The total amount of their investment is over \$80 million, distributed over 12 provinces and municipalities of China. During Lee Kuan Yew's visit, both sides hoped that an agreement will soon be reached on Chinese-Singaporean double exemption of dual taxes on which the first round of talks had already been completed. Both sides also carried out talks on signing an agreement on the investment protection of the two countries.

The Singaporean side expressed that Singaporean entrepreneurs hope that they can directly deal with all provinces and municipalities of China, including not only open cities on the coast but also other regions in inland China. The Chinese side hoped that the Singaporean government would encourage entrepreneurs to invest in China or join investment with other countries in China.

Both sides also discussed cooperation in tourism, banking and civil aviation. Both sides believe that developing tourism will be a potentially great field of cooperation between the two countries and that they will take further actions to adopt concrete measures.

During this visit, both sides also vigorously discussed the cooperation between the two countries in regard to personnel training. In June 1985, Goh Keng Swee, the former first deputy prime minister of Singapore, accepted China's offer to assume the position of economic advisor for China's coastal development. During this visit, Lee Kuan Yew said China is welcome to send people to Singapore to accept training. He said they may be managed together with Singapore at airports, harbors, factories, mines, posts and telecommunications offices, tourism and travel departments and computer centers. The Chinese side also welcomed Singaporeans to work in China, either at higher or lower levels, as advisors, plant directors, managers or workshop directors. Both sides thought many favorable conditions exist in personnel exchange between the two countries and there are bright prospects for cooperation in this field.

During his 2-week visit, Lee Kuan Yew toured seven places from the north to the south. Compared with his last visit 5 years ago, he thought "China has changed greatly in all fields" and "China's open door policy in foreign trade, investment and technology will inevitably change its economy completely." When noticing that leaders receiving him in all areas were young, energetic, practical and had great faith in their future, he said this indicates that there is great hope in China.

During his tour in Shanghai, Shandong and Xi'an, Lee Kuan Yew noticed such problems and shortcomings as poor management of hotels, backward highway facilities, and the negligence of production efficiency in factories and made frank criticism and suggestions to Chinese leaders. He said: I am an old friend of China; therefore, I speak frankly and sincerely about my views and impressions. Zhao Ziyang thanked Lee Kuan Yew for his sincere criticism and called him a real friend who would give forthright admonition.

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CSO: 4006/125

FOREIGN TRADE AND INVESTMENT

ACADEMY OF SCIENCES SELECTS ITEMS TO BE EXPORTED

OW191325 Beijing XINHUA in English 1251 GMT 19 Mar 86

[Text] Beijing, 19 Mar (XINHUA)--The Chinese Academy of Sciences has selected more than 400 products and services to be exported to the world market.

The Institute of Microbiology of the Chinese Academy of Sciences last year transferred its production technique of fermenting vitamin C to a Swiss firm.

The academy's Shanghai institute of silicate research has signed a three-year contract with foreign research organizations to supply bismuth germanate crystal, used in high-energy physics research. The contract is worth three million U.S. dollars.

The technology for lowering the processing temperature of polypropylene spinning, developed by the academy's institute of chemistry, has also been exported to other countries.

A leading official from the academy's new technology development bureau said many technologies and products have drawn the interest of foreign firms. They include high-efficiency tool holding devices, new fluorine plastics, amino acid production technology and crystal producing technology.

The academy's technology and products in the fields of materials science, information science and bio-engineering have broad prospects on the world market.

The academy's 36 research institutes in Beijing and Shanghai have established relations with 14 countries and regions and signed 41 agreements on joint management, joint development of technology and products, technical service and sales of products. Another 35 items for cooperation are now under discussion.

The Shanghai institute of medicine research has transferred its anti-tumor chemical compound to a Japanese pharmaceutical company and has applied for six patents in Japan. The institute has also designed the synthesis of new medicine at the request of some Japanese firms. The Japanese will provide relevant scientific research facilities and materials to the institute.

The Chinese Academy of Sciences has set up joint ventures with foreign firms, thus allowing the academy's research to become products as early as possible.

Recently, the China national nonferrous metals industry corporation transferred emulsified explosives technology to the Nobel company of Sweden. Under an agreement, Nobel will build the first factory in Sweden to adopt Chinese technology and will send employees to China for technical training. Chinese explosive experts will go to Sweden to advise the Nobel company.

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CSO: 4020/245



FOREIGN TRADE AND INVESTMENT

JIANGSU FOREIGN TRADE SEMINAR 'SUCCESS'

OW121831 Beijing XINHUA in English 1522 GMT 12 Mar 86

[Text] Nanjing, March 12 (XINHUA)--A 12-day foreign trade seminar ended here today in this capital city of Jiangsu, which is one of China's most developed provinces.

Over 2,000 overseas businessmen from 30 countries and regions took part in the seminar, which has been described by local trade officials as "a success."

Contracts, agreements, memorandums, and letters of intent were signed during the talk for 68 projects to introduce foreign funds, according to the officials.

The overseas businessmen have been most interested in Jiangsu's textile, light industry, electronics, machinery, and handicraft industries, said the officials.

They noted that it was the first "comprehensive" provincial foreign trade seminar Jiangsu has ever held.

Jiangsu's total output value of industry and agriculture ranks first in the country.

The province already has about 150 enterprises with foreign investment, the officials said.

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CSO: 4020/235

FOREIGN TRADE AND INVESTMENT

SICHUAN INCREASING FOREIGN INVESTMENT, TECHNOLOGY

OW071854 Beijing XINHUA in English 1844 GMT 7 Mar 86

[Text] Chengdu, March 7 (XINHUA)--Sichuan Province in Southwest China will increase the introduction of foreign funds and technology items by three to four times in the 1986-1990 period, compared to the past 7-year period.

An official of the provincial Economic Planning Committee said here today that the province had signed contracts on 301 technology items involving 220 million U.S. dollars and 207 foreign investment projects worth 170 million U.S. dollars between 1979 and 1985.

The technology items and foreign funds to be imported will be used mainly in major enterprises in the light industry, textiles, machinery, electronics, and food processing fields, as well as in upgrading existing industrial businesses.

Last year the province signed 190 contracts on technology items with a dozen countries and regions including Italy, Japan, Sweden, the Federal Republic of Germany, the United States, and Hong Kong, and Macao. These items involved a total of 130 million U.S. dollars.

Most of the items were used in the textiles, electronics, and machinery, instrument-making, building material, food-processing, and light industries.

Sichuan reached agreement on 23 contracts on Sino-foreign joint ventures and cooperation last year. They involved a total investment of 69 million U.S. dollars, of which 44 million U.S. dollars came from foreign firms.

To attract more foreign investors, the Sichuan provincial government is offering a series of preferential policies.

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CSO: 4020/235

## FOREIGN TRADE AND INVESTMENT

### LIAONING PORT INVESTS IN FOREIGN JOINT VENTURES

OW200240 Beijing XINHUA in English 0226 GMT 20 Mar 86

[Tide of Investment Flows in Northern Port -- Xinhua headline]

[Text] Shenyang, 20 Mar (XINHUA)--Authorities in Yingkou, Liaoning Province, have clinched deals worth 85 million U.S. dollars of foreign investment since China's open policy was launched in 1979, according to Mayor Xu Shilian.

The money has been invested in 153 Sino-foreign joint ventures and co-operative enterprises, which have opened in Yingkou, China's northernmost port city.

Last year, the city absorbed 32,790,000 dollars of foreign funds and technology, 45 percent more than in 1984, and this year, the figure is expected to top 35 million dollars.

Last March, the government gave the city some of the powers enjoyed by the 14 coastal cities which were opened to foreign trade and investment in 1984.

These powers include the right to examine and approve foreign investment plans, and this resulted in the introduction of 12 production lines and 395 items of advanced technology. More than 60 factories were modernized.

Yingkou, to the north of the Bohai Sea, has two harbors, and good transport facilities.

So far, the city has imported funds and technology from more than 20 countries and regions in the form of cash payments, compensation trade, processing of raw materials, leasing services and through various joint ventures.

Mayor Xu said an important condition they had attached to the introduction of foreign investment was that it should boost the city's exports and enable it to develop further.

For example, they had imported modern equipment from Japan to mine poor-quality talcum and produce talcum powder for use in paper-making.

This was earning the city a large amount of foreign currency, which was then used to import more advanced technology.

FOREIGN TRADE AND INVESTMENT

EXPORTS OF CONSTRUCTION MACHINERY ROSE TO \$10 MILLION IN 1984

HK190821 Beijing CHINA DAILY in English 19 Mar 86 p 2

[Text] Better quality and greater variety have triggered a dramatic increase in exports of construction machinery, according to a report in the newspaper ECONOMIC INFORMATION.

In 1979, \$800,000 worth of building machinery was exported. The figure increased to \$10 million in 1984. Last year's export value is expected to top that level, the newspaper said.

In the past, exports were limited to a narrow category, such as road rollers, elevators and concrete mixers. But today nearly 100 different pieces of machinery are on the export list.

Southeast Asia used to be the principal market for China's construction machine exports, but that scope has since expanded to the Middle East, Africa, Latin America, Europe and Oceania.

China's building machinery enjoys high prestige on world market, the newspaper said, because of improvements in technical levels and quality.

In some countries, Chinese building machinery dominates the market, the newspaper said. The country has exported more than 800 sets of rollers to Pakistan, accounting for two-thirds of the total there. Cuba's concrete is mixed chiefly by Chinese mixers following import of 800 mixers.

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CSO: 4020/245

FOREIGN TRADE AND INVESTMENT

BRIEFS

ELECTRIC FANS EXPORTED--Beijing, 24 Mar (XINHUA)--China plans to increase exports of electric fans, a ministry of light industry official told XINHUA today. At present, the country sells 2 to 3 million electric fans on the world market annually. Last year's figure was 2.5 million. China is the biggest manufacturer of electric fans in the world. Last year over 30 million were turned out, about half of the world production. But the country only has about 10 percent of the international market. Slow delivery and out-of-date styles have held back China in taking over more of the world market. Now special designing teams are being set up to bring styles up to world standards. [Text] [Beijing XINHUA in English 1004 GMT 24 Mar 86 OW] 12624

SHANDONG EXPORTS INCREASED--Shandong Province has opened more channels to attract foreign capital as part of a strategy to increase exports, the newspaper ECONOMIC INFORMATION reported. In 1985, Shandong exported a record 32.64 billion worth of goods, a 16.4 percent increase over 1984. Foreign investment has been used to improve the quality of goods for export. Jinan Knitwear Mill imported advanced technology to replace obsolete equipment and raised product quality. Since the new equipment was put into operation, the factory has earned \$4.63 million in foreign exchange. Peanuts, now one of Shandong's key exports, in the past had export sales of only a few dozen tons because of inadequate processing capacity. The introduction of advanced equipment through compensation trade greatly boosted export volume, bringing total sales of 50 million a year. Over the past three years, many Shandong enterprises have used existing equipment and surplus labor to process materials or assemble components supplied from outside. [Text] [Beijing CHINA DAILY in English 18 Mar 86 p 2 HK] 12624

SHAANXI BOOSTING TOURISM INDUSTRY--Xian, 19 Mar (XINHUA)--Shaanxi Province, one of China's four major areas rich in tourist attractions, plans to receive 600,000 overseas tourists in 1990--some 2.83 times the figure for 1985, according to officials here today. To boost tourism and make the business one of its major industries, Shaanxi has decided to further excavate the tomb of Qin Shi Huang, build another airport, and construct 14 more hotels. The province also plans to train more people to meet the increasing needs of the tourism industry, they said. The northwest China province expects to earn an annual income of 2.37 billion yuan in tourism revenue by 1990--an increase of

233 percent over 1985. The province is famous for its historical relics, including a museum displaying hundreds of life-size terracotta horses and armored warriors excavated near the tomb of emperor Qin Shi Huang (259-210 b.c.), China's first unifier. Over the past five years, there has been an annual 35.9 percent increase in overseas visitors to Shaanxi, said the officials. [Text] [Beijing XINHUA in English 1157 GMT 19 Mar 86 OW] 12624

CONTRACT ON NAVIGATION EQUIPMENT--Radio-Holland Hong Kong recently signed a contract worth about \$4 million to supply Dalian Shipyard in northern China with communication and navigation equipment to be installed in military tankers the yard is building for Pakistan. The company's commercial manager, Mr Klaas Oreel, said the radar, sonar and radio communications equipment will be delivered in the second half of this year. Although shipments of technologically advanced products into China require approval from COCOM--the body formed by Western industrialized nations to control supplies to communist countries--Mr Oreel saw no obstacle to the present sale because Pakistan is the ultimate user. Rotterdam-based Radio-Holland specializes in the manufacture of marine and industrial electronics equipment. Mr Oreel said the company has just opened a branch office in Shanghai after entering the China market a year ago and more branches will be opened in other cities as the market grows. Radio-Holland is also negotiating technology transfer agreements with shipyards and shipping companies in China, he said. [Text] [Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 12 Mar 86 p 5 HK] /12712

TIANJIN FOREIGN TRADE UPDATE--Since the start of the year, steady progress continues in foreign economic and technical cooperation at Tianjin. It has been learned that during the first half of this year interest continued to grow among foreign investors for investments in Tianjin Municipality. The number of foreign businessmen visiting Tianjin doubled compared with the same period last year. Certain Japanese industrialists are actively preparing the establishment of a Tianjin Investment Association. This year to date, 61 agreements have been signed for Chinese-foreign joint ventures, of which over 10 percent are for production enterprises. Most of the joint venture partners come from the countries and territories of Japan, the United States and Hong Kong. An additional 118 items have been approved by the local government agencies for possible cooperative ventures. The total of all these items involves investments in excess of \$700 million and direct use of foreign capital in excess of \$300 million. With regard to the additional 118 items, several negotiations have already taken place with foreign businessmen on copper smelting, ship paint, synthetic insecticide, solar batteries, silk embroideries, airtight components, etc. [Text] [Shenzhen SHENZHEN TEQU BAO in Chinese 18 Sep 85 p 2] 9808

CSO: 4006/131

SPECIAL ECONOMIC ZONES

SHENZHEN SUSPENDS PLAN TO FLOAT FOREIGN CURRENCY BONDS

HK130809 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 13 Mar 86 p 5

[Article by Paul Sham]

[Text] Shenzhen Security Co, set up last year under the People's Bank of China, [PBOC] has suspended plans to float foreign currency bonds in the special economic zone.

A company spokesman told BUSINESS NEWS yesterday it was decided the necessary approvals from the PBOC head office and the State Council would come too late to meet demand from local enterprises.

The company is the first of its kind in China. Its purpose includes raising funds from local and overseas sources, and providing direct investment and loans to local enterprises.

The bonds plan, unprecedented in China, had been aimed at channelling foreign funds from Shenzhen firms which had them to ones which didn't.

Foreign flow has been reduced by the clampdown on foreign exchange spending and the low exchange rate set by the government, leaving many Shenzhen enterprises short of foreign exchange.

The spokesman said the plan had been to float bonds denominated in Hong Kong dollars in amounts up to several million.

Instead, the company is now considering issuing credit instruments to meet the demand for yuan, which "is also very urgent" because of the recent brake on the money supply.

As the money market in Shenzhen is still in its embryonic stage and legislation needs to be improved, fundraising will be undertaken first through banking institutions in the form of bonds, certificates of deposit, or securities, the spokesman added

He said his company's operation would eventually pave the way for a Shenzhen stock market, but because there was yet no secondary market, that goal was unlikely to be realised in the near future.

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JPRS-CEA-86-038  
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## SPECIAL ECONOMIC ZONES

### PRC AGREES 'IN PRINCIPLE' TO ALLOW JAPANESE BANKS IN SHENZHEN

HK180819 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement)  
in English 18 Mar 86 p 5

[By Olivia Sin]

[Text] China has agreed in principle to allow three Japanese banks to open branches in Shenzhen, according to Luo Xianrong, director of Shenzhen branch of the People's Bank of China.

He said final approval would be given when the Bank of China (BOC) is allowed to open a branch in Tokyo.

The three Japanese banks he referred to are Bank of Tokyo, Sanwa Bank and Hokkaido Takushoku Bank Ltd.

Observers said it appeared China was demanding strict reciprocity in granting branch licences to Japanese banks. The banking community had expressed surprise at the exclusion of the Japanese banks from the first batch of foreign banks allowed to operate branch activities in the Special Economic Zone [SEZ].

Bankers said some Japanese banks had actively supported the development of the SEZ and deserved the "honor" of having a branch in China.

The successful foreign banks, announced last year, were Hong Kong and Shanghai Bank, Bank of Credit and Commerce International, Banque Indosuez, Standard Chartered Bank and Societe Generale.

Speaking after yesterday's opening ceremony of Societe Generale's Shenzhen branch, Mr Luo said China had not yet approved an application from Banque Nationale de Paris to upgrade its representative office to branch status.

But banking sources said the official approval, which is a matter of formality, is expected in the middle of this year.

Mr Lou also admitted that the business scope of foreign branches in Shenzhen was limited but said it was natural for any country to restrict overseas banks initially.



For the time being, they would have to live with the restrictions, but he did not rule out the possibility of China "adjusting" its policy towards foreign bank operations in the future.

Bankers have complained about the high overhead costs of Shenzhen branches and the slim chances of making money.

By law, they may only handle foreign currency transactions and are limited to dealing with joint or wholly foreign-owned ventures. They are not allowed to accept deposits or handle trade bills of the hundreds of state-owned enterprises.

Societe Generale, a leading French bank, has been active in arranging syndication loans for China projects. It hopes to play a major role in financing the Daya Bay nuclear power plant, especially since China signed up Framatome of France as one of the main contractors.

The bank's manager for the Asia-Australasia region, Mr M Cassou, said at the Shenzhen ceremony it was also keen to open branches in Guangzhou and Shanghai.

It has representative offices in the two cities, together with one in Beijing.

Mr Cassou said Societe Generale was the first French bank to quote the renminbi, the Chinese currency, 20 years ago. With its extensive network of overseas branches, it could help Chinese corporations abroad to remit funds through its Shenzhen branch.

He also noted that Societe Generale's opening in Shenzhen came within a few days of BOC inaugurating a branch in Paris.

Societe Generale has formed two leasing joint ventures to tap the vast Chinese market. They are Hong Kong-based Trilease International Ltd and China United International Leasing Co Ltd, which is based in Guangzhou.

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CSO: 4020/245

## SPECIAL ECONOMIC ZONES

### SHENZHEN FIRMS, OTHERS BANNED FROM PLACING NEW ORDERS

HK080520 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 8 Mar 86 p 1

[Article by Paul Sham]

[Text] China has instructed its specialised import and export companies not to accept any new orders from firms in the Shenzhen Special Economic Zone or from other domestic enterprises permitted to hold foreign currencies.

The measure, the latest in a series aimed at curbing the outflow of parallel goods from China and boosting the country's foreign exchange earnings, applies to import/export firms under the supervision of the Ministry of Foreign Economic Relations and Trade [MOFERT].

Sources close to the Shenzhen authorities said the measure would have a profound effect on the development of the city, which currently relies heavily on trading, although official policy is that it should earn foreign currency by developing its industries.

According to the vice-director of Hubei Province's Foreign Economic Relations and Trade Bureau, Mr Fan Kaishi, an internal directive from MOFERT has been sent to all specialised import and export companies stipulating that new export orders must come directly from foreign markets and not through Shenzhen.

Mr Fan is currently in Shenzhen for the 8-day Hubei Trade Fair which began yesterday.

Up to the beginning of this year, companies in Shenzhen and certain other areas, which are allowed a measure of freedom in deploying their foreign exchange earnings, have been permitted to purchase export-bound products from these specialised firms and pay for them in foreign currencies.

In turn, the import/export concerns have been able to put those orders towards export quotas laid down by the government, which are measured by value and not by volume. Payment in foreign exchange boosts their value totals.

By exploiting the huge demand for foreign currencies in other Chinese cities, companies in Shenzhen have been able to use their foreign exchange to purchase products cheaply from the import/export concerns.

Unlike Shenzhen, companies in most Chinese cities have to return about 70 percent of their foreign exchange earnings to the central authorities and must seek official approval for their use of foreign exchange.

As a result of cheap purchases made by Shenzhen firms, some of the products bought from companies in other parts of China and up in Hong Kong and overseas markets at a lower price than those set for the import/export companies.

Another side to the problem is that products originally destined for export--such as bicycles, electric fans, and bear--eventually go on sale in the domestic market where there is enormous demand for certain types of product.

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CSO: 4020/235

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## SPECIAL ECONOMIC ZONES

## SHENZHEN REPORTS GROWING LEGAL INFRASTRUCTURE

Shenzhen SHENZHEN TEQU BAO in Chinese 7 Sep 85 p 2

[Report by Fu Jianguo [0265 1696 0948], Ouyang Huan [2962 7122 2719], and Li Rujian [2621 3067 0256]: "Increased Sense of Security for Foreign Investors-- Professional Activity of Lawyers in the Shenzhen SEZ Growing Day by Day; In the First 7 Months of This Year, 20 Million Yuan and HK\$8 Million in Economic Losses Either Avoided or Recovered by Certain Chinese and Foreign Enterprises"]

[Text] The establishment of available lawyers in Shenzhen is continuously being strengthened. The work of lawyers tends to become specialized and is playing an important role in safeguarding economic construction in the SEZ. During the first 7 months of this year, the various law offices handled altogether 395 economic cases of a great variety, and took part in 128 cases of drafting, examining and negotiating contracts. Through the activities of the lawyers, economic losses amounting to 21.4 million yuan and HK\$8.3 million were avoided or recovered by certain enterprises and foreign investors.

In 1982, Shenzhen had only one legal counsel office with three lawyers. At the beginning of 1983, the judicial bureau of the municipality took the work of strengthening the contingent of the city's lawyers firmly in hand as an important part of perfecting the legal system of the SEZ and improving its investment environment. In a variety of ways, by selectively transferring, by advertising, by assignments from universities, and by training, they succeeded in recruiting legal personnel. At present, Shenzhen has 22 regular lawyers (including those working full time and those working concurrently as lawyers) and 16 lawyers in practical training, which basically amounts to 1 lawyer per 10,000 residents. They are mostly university and college educated, and the majority is middle-aged and young, creating favorable conditions for the further development of the legal profession.

To meet the needs of the continuously developing construction of the SEZ, the legal profession of Shenzhen is incessantly strengthening and perfecting its organization. Apart from the original municipal law office, which mainly is acting as defense counsel in criminal cases, a law office was opened at Shekou in July 1983 to provide legal service for the enterprises in the Shekou industrial district. In addition, Shenzhen Municipality established a law office for economic affairs involving foreigners, for the purpose of serving

state agencies and enterprises, also wholly-foreign enterprises, Chinese-foreign joint ventures, and cooperative enterprises as long-term legal advisor or to participate in the mediation of economic disputes involving foreign parties. Further law offices were established at Bao'an County and Shatoujiao. In the first half of this year, Shenzhen Municipality set up an economic relations and trade law office and a finance and real estate law office. The former is actively engaged in affairs concerning domestic and foreign economic and trade contracts, the latter is mainly concerned with banking, mortgages, loans and the purchase, sale, and transfer of commercial real estate. The total number of law offices in Shenzhen has increased to seven, each with its own specialty, showing an initial trend toward specialization.

Because legal rights and interests are being protected, several foreign merchants have expressed a feeling of increased security concerning investment in Shenzhen.

9808

CSO: 4006/131

## SPECIAL ECONOMIC ZONES

### IDEOLOGICAL PROBLEMS IN SHENZHEN SEZ DISCUSSED

Shenzhen SHENZHEN TEQU BAO in Chinese 8 Sep 85 p.1

[Commentary: "Guiding Ideology of Vocational Work Still Needs To Be Corrected"]

[Text] To correct the guiding ideology of economic work in the Shenzhen Special Economic Zone [SEZ] is to fully understand the strategic position and role of the SEZ; to clearly understand that the task of the SEZ is to develop socialist productive forces and build a comprehensive SEZ of a foreign-oriented economy by absorbing foreign funds and importing advanced technology and scientific management methods; to correctly handle the relations between the local interests of the SEZ and the overall interests of the nation in regard to the open policy and reforms, between the interests of individuals or small groups and the interests of the broad masses of people and between immediate interests and long-term interests; to give full play to the radiation of the "four windows" and "fanning out in two directions" of the Shenzhen SEZ; and to strive to do one's own job well.

Whether the guiding ideology of vocational work is correct is a vital question concerning not only the reputation of the Shenzhen SEZ but also the success and failure of the building of a foreign-oriented economy in the SEZ.

Problems exposed at the enlarged meeting of the standing committee of the city CPC committee indicate that some cadres in Shenzhen City still have various confused ideas and erroneous concepts concerning the guiding ideology of vocational work. Their main manifestations can be summarized in the following six categories:

1. They either do not know much about the principles and policies of the CPC Central Committee concerning the establishment of special economic zones or quote out of context according to what they need. Some people misinterpret "one should do special things in a special way and new things in a new way" as "there is nothing that cannot be done." Some explain "dare to think and dare to act" as indulging in the wildest fantasies and committing all kinds of outrages. Some even consider carrying out dishonest practices as "invigorating the economy."

2. The influence of departmentalism is serious. They only care about the immediate interests and local interests of their own unit or small groups and pay no attention to the long-term interests and the overall interests of the country in regard to the open door policy and reforms. Some people mistakenly think that "it is all right to do whatever you want as long as you do not pocket the money yourself." Therefore, they dare to do anything just to make money.

3. Some people ignore their proper duties under the pretext of "developing diversified economy." Instead of concentrating their strength on improving technology and developing social productive forces, fully developing their own strong points and running enterprises in a down-to-earth manner, some enterprises and units are eager for quick success and instant benefits and concentrate only on cash income. They even go so far as to give up their main occupation for intermediate dealers. In order to make more money, individual units would be so absurd as to "contract" all their business licenses, bank accounts and official business seals to lawbreakers.

4. Ignoring the prohibition of the CPC Central Committee, some party and government organs engage in business and run enterprises to make "extra money" for small groups. Some leading cadres are both "officials" and "bosses." By abusing the power to commodity control, they give "special treatment" to enterprises "directly subordinate to them" and benefit from the profits, making a mess of "clean government offices."

5. Some units indiscriminately collect fees, increase prices and impose fines, trying to "pluck a feather from every passing goose," and use income from such practices as indiscriminate bonuses and gifts.

6. In employment, some units misinterpret the "pioneering spirit" and fail to exercise proper supervision while delegating power to lower levels. As a result, some people engage in secret and indiscriminate hiring in an effort to establish "family regime." Some units praise those people who are good at securing personal gain and dishonest practices as "able persons," thus resulting in numerous malpractices.

To overcome and correct these problems, first of all, we must conscientiously carry out education in party spirit, workstyle and discipline, communist ideals and "the four adherences" and establish the lofty ideals of communism. We should relentlessly attack economic crime, strengthen judicial and legislative work, establish and perfect all rules and regulations and plug loopholes. At the same time, we should also vigorously commend those advanced units and individuals who resolutely implement party principles and policies, work hard to start business, earnestly carry out reforms, and abide by laws so as to encourage healthy trends. We should help the broad masses of cadres, especially leading cadres at all levels, adopt a firm understanding of the overall situation, of policies and disciplines and become sober-minded promising leaders and help enterprises advance in the correct direction and make due contributions to the construction of special economic zones.

12302

CSO: 4006/125

9 April 1986

## SPECIAL ECONOMIC ZONES

## SHEKOU FORMS EXPORT-ORIENTED ECONOMY

Shenzhen SHENZHEN TEQU BAO in Chinese 18 Sep 85 p 1

[Article: "The Shekou Industrial District Has Basically Formed an Export-Oriented Economy"]

[Text] By insisting that industrial structure be based on industry, products be mainly exported, and funds derive primarily from foreign capital in development and construction, Shekou Industrial District of Shenzhen Special Economic Zone [SEZ] has basically formed an export-oriented economic structure.

Since its founding 6 years ago, Shekou Industrial District has absorbed HK\$1.45 billion from the United States, Japan, Britain, France, Denmark, Swiss, Singapore and Hong Kong. Over 80 percent of these funds have been used for industrial projects. Over 100 products, 67 percent of all products produced by 40 industrial enterprises, which have already begun operation, such as microcomputers, electrical machinery, household electrical appliances, moulds, containers, yachts, leather, silk and industrial chemicals, have entered international markets.

Shekou Industrial District has paid great attention to importing and absorbing advanced foreign technology and managerial experience and developed competitive industrial products in view of international markets. In making import decisions, they have given priority consideration to projects with advanced technology, exportable products, and stable export channels, and vigorously created conditions to accelerate the signing of contracts and the process of putting such projects into operation.

While importing and using foreign capital to develop an export-oriented economy, Shekou Industrial District has also paid attention to developing the powerful technological strength and abundant natural resources of inland China to help increase its export capability. The Huasi Company, which is a joint venture established by the Zhejiang Silk Company and Hong Kong's Huajian Company in Shekou district, took advantage of Shekou's proximity to Hong Kong and Macao, imported printing and dyeing equipment and technology from Italy, Japan, and West Germany, processed Zhejiang's grey silks into printed silks and satins and exported all of such products. This project alone was able to increase output value by over 40 percent. This company has already earned



HK\$180 million in the first half of 1985. The Haihong Ship Paint, Ltd., imported the patent rights of production technology from the Oldman Brand Paint, Ltd., of Denmark, but because its raw materials still rely on imports, the prices of its products are very high and it needs large amounts of foreign exchange. In view of this, Shekou Industrial District has vigorously helped relevant chemical plants in inland China improve the quality of industrial chemicals in an effort to gradually spread the use of domestic raw materials to save foreign exchange.

Thanks to the establishment of an export-oriented economy based on industry, the entire economic structure of Shekou Industrial District has been developed in a healthy and stable manner. In the first half of this year, the total industrial output value of the district was over 300 million yuan, accounting for over 70 percent of the total value of social output, of which, 78.6 percent was created by export products; the foreign exchange balance of the district was HK\$170 million.

12302

CSO: 4006/125

9 April 1986

## SPECIAL ECONOMIC ZONES

## ZHUHAI BASE FOR AIRLESS BICYCLE TIRE JOINT VENTURE

HK110353 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 11 Mar 86 p 5

[Article by Olivia Sin]

[Text] Captive Air Inc., a listed U.S. chemical engineering company, has formed a joint venture with the Guanghua Trade Development Co. of Zhuhai to produce airless bicycle tyres for the vast Southeast Asian and China markets.

Under the agreement, a new company, known as Taiping Co. Ltd., will be set up in the Zhuhai Special Economic Zone with a total investment of \$4.6 million.

The 50:50 venture will produce more than 500,000 tyres a year.

The joint venture agreement was signed last week in Zhuhai.

Although most of the output will be exported initially, the project's partners are confident the Chinese bicycle users will increasingly turn to the company's airless tyres, which are more durable and convenient than the ordinary rubber tyres.

The president of Captive Air, Mr Vincent Panaroni, who stopped over in Hong Kong on his way back from China, said the project has special importance for China where millions of bicycles compete with cars for road space.

Mr Panaroni, who helped in developing the technology for airless tyres, said flat tyres are responsible for many bicycle accidents in the United States.

There is a tendency for consumers to turn to airless tyres, which are made of a special petro-chemical plastic known as polyurethane.

"Studies in the United States show the airless tyres can last up to 5 years," Mr Panaroni told BUSINESS NEWS.

Besides, he said the airless tyres do not need maintenance and are leak-proof.

Mr Panaroni said the price of airless tyres in China will be slightly higher than that of rubber tyres.

The average rubber tyre sells for about 10 yuan (about HK \$24) and the airless tyre will be sold for about 13 yuan.

The chairman of Captive Air, Mr Richard Steinke, said the Chinese partner will provide a 13,000 sq ft manufacturing facility, labour, and living quarters.

Captive Air will provide the raw materials, knowhow, equipment, and training.

He said the Zhuhai facility will be Captive Air's production base for supplying the Southeast Asian market.

He said cheap labour and the tax incentives in Zhuhai will help the company keep production costs low.

About 60 percent of the plant's output will be exported initially to earn foreign exchange to pay for the imported raw materials.

If the raw materials are sourced in China, the percentage of exports can be reduced and more airless tyres sold in China.

Mr Panaroni said Captive Air possesses the technology to manufacture the polyurethane chemicals as well as the equipment and knowhow to turn the chemicals into finished products such as tyres, sports shoes, and toys.

He said very little energy is used in the manufacture of airless tyres, an important saving for energy-short China.

Mr Stinke said Captive Air plans to increase its involvement in China as other cities have also expressed interest in forming similar joint ventures.

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CSO: 4020/235

SPECIAL ECONOMIC ZONES

BRIEFS

JAPANESE TO AID HARBOR DEVELOPMENT--Reporter Deng Jinliang [6772 6930 5328] reports that the Nippon Kokusai Kyoryoku Jigyodan [Cooperative Industries Group] is greatly interested in the development of the Yantian harbor district at Dapeng Bay in Shenzhen SEZ. This information derives from the Communications Affairs Office of the Municipal Government. In response to an invitation by the China State Science and Technology Commission, seven members of a Dapeng Bay construction planning preparatory investigation team dispatched by the Nippon Kokusai Kyoryoku Jigyodan arrived in Shenzhen on 3 September for a 4-day investigation. They listened to introductory reports on the conditions for the development of the Yantian harbor area at Dapeng Bay and made on-site inspections of the geographical environment and conditions for harbor construction. They also engaged in a series of friendly discussions with the Communications Affairs Bureau of Shenzhen Municipality, the Shenzhen Dongpeng Industrial Corporation, and other such entities, on matters concerning assistance to Shenzhen in its development of the Yantian harbor area at Dapeng Bay. During the discussions all agreed that the next step for the Nippon Kokusai Kyoryoku Jigyodan would be to dispatch an official delegation to Shenzhen for an inspection, the place of inspection to be the Yantian harbor area at Dapeng Bay (a shoreline of 5 km and a land area of 7 square km). The Chinese and Japanese sides will then jointly draw up plans for the use of the land area, including roads and railway trunk lines. On the evening of 6 September, Wu Xianji [0702 7359 1015], deputy head of the Shenzhen Communications Affairs Bureau, and Okada Yasuo, head of the preparatory investigation group of Kokusai Kyoryoku Jigyodan, signed a summary of their conversations. Li Guangzhen [2621 1639 6966], vice mayor of Shenzhen, and Li Xinting [2621 2450 0080], deputy secretary, attended the function. [Text] [Shenzhen SHENZHEN TEQU BAO in Chinese 8 Sep 85 p 1] 9808

SHENZHEN IMPLEMENTS 'CONTROL LINE'--Zhenzhen, 18 Mar (XINHUA)--The Shenzhen Control line, a net work of roads, customs offices and frontier checkpoints, will be officially put to use April 1 in accordance with a State Council decision, Zhen Xipei, Vice-mayor of Shenzhen said today. This will help ensure a "still more orderly" development of the special economic zone, where flexible policies are pursued to attract Hong Kong, Macao and overseas investment, he said. The line, completed a year ago, consists of 86 kilometers of roads round the Shenzhen Special Economic Zone, six custom offices, 29 check points and communications facilities. Its opening will facilitate the interflow of goods and personnel between the zone and Hong Kong, the vice-mayor said, while helping prevent smuggling and other illegal economic activities. There will be more freedom of entry and exit to foreigners, overseas Chinese and Hong Kong, Macao and Taiwan compatriots who have valid travel documents. To the rest of China, Zhen said, the line will help ensure normal exchanges of goods, noting that the state now plans to use goods made in Shenzhen to step by step substitute imported goods of the same category.

[Text] [Beijing XINHUA in English 1540 GMT 18 Mar 86 OW] 12624

CSO: 4020/245

## TRANSPORTATION

### PRC RAILWAY BUILT ON SALT LAKE IN GOOD CONDITION

OW201808 Beijing XINHUA in English 1634 GMT 20 Mar 86

[Text] Xining, 20 Mar (XINHUA)--The world's first railway on a dry salt lake -- the Qarhan Salt Lake in northwest China's Qaidam Basin -- is on "perfect conditions" six years after it was put into operation, said a local official today.

The bed of this 32-kilometer section of the Qinghai-Tibet railway, which was built on solid salt, was found to have sunk only six millimeter in a recent inspection by a team of railway engineering experts.

The salt would never dissolve, they said, as the weather is exceptionally dry and cold on the Qinghai-Tibet plateau 3,000 to 4,000 meters above sea level and there was no fresh water under the salt lake.

Scientists have found that salt crystals free from fresh water become increasingly solid, and that salt blocks under dry conditions are able to withstand a weight of 18 kilograms per square centimeter.

Rails pre-treated against corrosion were used to build the section through the lake, and special engineering methods were adopted to secure the road bed.

The Qinghai-Tibet railway, which will eventually reach Lhasa, capital of the Tibetan Autonomous Region, now runs from Xining to Gulmud in Qinghai Province. The 5,800-square-kilometer Qarhan Salt Lake is China's largest.

Since the Qinghai section of the railway opened to traffic in 1979, it has transported 150 million tons of goods.

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CSO: 4020/244

TRANSPORTATION

BEIJING CONGRESS STANDING COMMITTEE MEETING ENDS

SK180105 Beijing BEIJING RIBAO in Chinese 6 Mar 86 p 1

[Excerpts] After completely fulfilling all items on the agenda, the 27th Standing Committee meeting of the 8th municipal People's Congress concluded on 5 March.

At the meeting on 5 March, participating members heard and examined the report given by Su Zhaolin, chairman of the municipal urban and rural Construction Commission, who was entrusted by the municipal People's Government, with regard to relieving the city's traffic congestion and accelerating the pace in building traffic facilities.

In his report, Su Zhaolin pointed out: There are many reasons causing traffic congestion in Beijing Municipality. Therefore, it is necessary for us to adopt various measures to deal with the problem. First, we should improve or enhance traffic management and bring into full play the role of the existing traffic facilities. Second, we should make overall plans for the transport systems of passengers and freight and organize in a reasonable way the activities of production and livelihood in order to reduce the unnecessary volume of passenger and freight transportation.

At the meeting, participating members held enthusiastic discussions on Su Zhaolin's report and put forward some proposals.

The meeting approved some personnel changes and the namelist of these personnel is as follows:

Lin Yanzhi [2651 3508 1807] was appointed chairman of the municipal Physical Culture and Sports Commission.

Ma Kai [7456 0418] was appointed director of the municipal Commodity Price Bureau.

Zheng Yijun [6774 001 6511] was appointed director of the municipal Public Utilities Bureau.

Wei Ming was removed from his post of chairman of the municipal Physical Culture and Sports Commission.

Kang Shuren was removed from his post of director of the municipal Commodity Price Bureau.

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CS0: 4006/850



## TRANSPORTATION

### BRIEFS

**NEW DOMESTIC AIR ROUTES**--The Shandong Provincial Civil Aviation Bureau will open new air routes on 16 March, including one between Jinan, Shandong Province, and Xian, Shaanxi Province, via Zhengzhou, Henan Province, and another between Jinan, Shandong Province, and Dalian, Liaoning Province, via Yantai, Shandong Province. By flying using the new air routes and the original ones, the broad masses of passengers in Jinan City can take nonstop flights to 10 large and medium-sized cities throughout the country, including Beijing Municipality; Shanghai Municipality; Hangzhou City, Zhejiang Province; Nanjing City, Jiangsu Province; Ningbo City, Zhejiang Province; Xian City, Shaanxi Province; Zhengzhou City, Henan Province; Yantai City, Shandong Province; Dalian City, Liaoning Province; and Qingdao City, Shandong Province. The provincial Civil Aviation Bureau will put all imported British-made passenger planes into operation for the new air routes. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 14 Mar 86 SK] /12913

**NEW CIVIL AVIATION ROUTES**--Nanning, 11 March (ZHONGGUO XINWEN SHE)--It is learned from Guangxi Civil Aviation Bureau that the region will open three new civil aviation routes, namely Guilin-Nanjing, Guilin-Xiamen, and Liuzhou-Guangzhou. Their inaugural flights will take place on 14 and 16 March. At the same time, some other civil aviation routes will undergo readjustment. The Guilin-Nanjing route will be served on Tuesdays and Fridays, the Guilin-Xiamen route on Wednesdays and Fridays, and the Liuzhou-Guangzhou route on Tuesdays and Fridays. Formerly, the Guilin-Xian route was not a regular service. To make things convenient for tourists, however, the region will change it into a regular one beginning 16 March. It will fly on Tuesdays and Fridays. There are five flights each week between Guilin and Beijing. But the number will be increased to nine from 16 March. On the Guilin-Guangzhou route, flight nos. 0431 and 3339 will be cancelled. The frequency of flight no. 3328 will be increased to six per week, and that of flight no. 3326 will be increased from four to seven per week. Moreover, the frequency of flights between Nanning and Guangzhou, Guilin and Chengdu, Guilin and Chongqing, and Guilin and Shanghai have been increased. Their flight schedules have also undergone readjustment. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 1236 GMT 11 Mar 86 HK] /12913

**NEW AIR ROUTES OPEN**--The Harbin Airport will open new air routes and increase the number of flights beginning on 16 March. The newly opened air routes are: The flight between Harbin and Tianjin via Beijing on every Wednesday and

Sunday; the flight between Harbin and Beijing via Mudanjiang and Shenyang on every Wednesday and Sunday, which will begin service when conditions are ripe; and the restored flight between Harbin and Jiamusi. In the course of opening and restoring the above-mentioned air routes, the Harbin Airport will increase the number of flights between Harbin and Beijing from the present 10 to 12 every week, and that of flights between Harbin and Guangzhou from the present 3 to 4 every week. After the readjustment, the Harbin Airport can offer 8 more flights, and transport 400 more passengers every week. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 14 Mar 86 SK] /12913

ROAD CONSTRUCTION TASKS--A provincial communications work conference which concluded on 22 March decided that during the Seventh 5-Year Plan, the Guanzhong area should focus on upgrading and improving main roads, north Shaanxi should focus on the Shenfu and Huangling energy exploitation areas, South Shaanxi should focus on the Qinba mountains, and the province should gradually build up a comprehensive road transport network centered on Xian based on the main roads and linked up with railroads, waterways, and civil aviation. The province will build 3,000 kilometers of roads during the Seventh 5-Year Plan. It will also improve 5,500 kilometers of old roads. Some 1,000 kilometers of roads will be newly tarred. Over 25,000 meters of bridges will be built, and 900 kilometers of waterways will be tidied up and improved. [Text] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 22 Mar 86 HK] /12913

AIR ROUTE OPENS--On 21 March, airliner No. 3,603 of the Shandong Provincial Civil Aviation Administration Bureau smoothly landed at Dalian Airport on Liaodong peninsula, after flying over Shandong peninsula, stopping at Yantai Airport for a short duration and then flying over Bohai Bay. This air route covers a total travel distance of more than 670 km, and only 2 hours is needed for one flight. With the opening of this flight, which links Jinan with Yantai and Dalian with the (Yingzhi Jiaote) Mode 360 aircraft, the Shandong Provincial Civil Aviation Administration Bureau has for the first time directly linked Shandong peninsula with Liaodong peninsula with its own aircraft. From now on, an airliner will use this air route to fly between Jinan and Dalian every Monday and Friday. This will certainly play a positive role in developing economic associations between Shandong Province and northeast China and in making Shandong Province and its people prosperous. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 21 Mar 86 SK] /12913

JINAN-ZHENGZHOU-XIAN AIR ROUTE OPENS--On 23 March, the Shandong Provincial Civil Aviation Administration Bureau officially opened the air route between Jinan and Xian via Zhengzhou, the first air route from the province to the western region. The opening of this air route creates extremely favorable conditions for our province to strengthen lateral economic cooperation with fraternal provinces and to develop the province's tourist trade. This air route covers a total travel distance of 860 km, and only three hours are needed to travel from Jinan to the ancient capital Xian. There will be a regular flight every Wednesday and Sunday. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 23 Mar 86 SK] /12913

WEIFANG-BEIJING AIR ROUTE OPENING--The new air route between Weifang and Beijing opened to air traffic on 22 March. At 1400 on 22 March, a silvery white An-24 airliner took off at Weifang Airport and headed for the capital, Beijing. During the third international kite festival and the first national kite tournament, an airliner will leave Weifang for Beijing once daily. Beginning from 12 April, this route will normalize its service to one flight every Wednesday and Saturday. In the past, foreigners manufactured aircraft on the basis of the Chinese kite theory. Now, foreigners will have the distinction of touring this native place of kites by airplane. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 22 Mar 86 SK] /12913

MUDANJIANG-BEIJING AIR ROUTE OPENS--The air route between Mudanjiang and Beijing formally began service on the afternoon of 16 March. An airliner will leave Mudanjiang for Beijing every Wednesday and Sunday. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 17 Mar 86 SK] /12913

DALIAN INTERNATIONAL AIRPORT OPENS--Dalian--Ceremonies were held here yesterday to mark the opening of the city's new international airport. Representatives from air transport agencies, tourist agencies and trade institutions from Japan and Hong Kong were invited to the ceremonies and to subsequent business negotiations on airport utilization. Wei Fuhai, mayor of the port, one of the 14 open coastal cities in the country, said the airport is well prepared to handle overseas flights. Wei said the present talks are aimed at promoting an early beginning of scheduled flights between Dalian and Japan and contract flights between Dalian and Hong Kong. Wei said the city last year received 48,600 foreign visitors, among them 10,000 businessmen. Last year, 1,800 tons of goods were exported through Dalian airport. [Text] [Beijing CHINA DAILY in English 19 Mar 86 p 2 HK] 12624

PORT OPEN TO FOREIGN SHIPS--Beijing, 19 Mar (XINHUA)--Nanjing Port in Jiangsu Province at the lower reaches of the Yangtze River will open to foreign ships as from tomorrow, a communications ministry spokesman announced here today. With the water depth above 10 meters in its main channel, the port can accommodate ships of 10,000 dwt all year round. The spokesman said that foreign ships navigating or anchoring in the Yangtze River must observe China's relevant laws and regulations and be subjected to the management, supervision and inspection of the port superintendency administration. [Text] [Beijing XINHUA in English 1141 GMT 19 Mar 86 OW] 12624

AIR SERVICE BEGINS--Jinan, 22 Mar (XINHUA)--An air service from Beijing to Weifang, China's "Kite City" in Shandong Province, opened today. Weifang will host the third international kite festival and the first national kite tournament in early April. During the festival and tournament, there will be one return flight every day. After that, flights will be changed to twice a week. Teams from a dozen foreign countries and from two-thirds of Chinese provinces are expected to attend the festival and tournament, local officials said. In addition, there will be more than 10,000 Chinese and foreign spectators. [Text] [Beijing XINHUA in English 1452 GMT 22 Mar 86 OW] 12624

PORT READY FOR SHIPS--Nanjing Port in Jiangsu Province will be ready to accommodate the first foreign ship late this month, a city government official said here today. It is the largest inner river port in China and is located on the lower reaches of the Yangtze River between Shanghai and

Wuhan, capital of Hubei Province. With the water depth above 10 meters in its main channel, the port has 150 warves and five anchorages capable of accommodating 75 ships between 2,000 dwt and 5,000 dwt, and 14 vessels of 10,000 dwt. Its opening, which was approved by the standing committee of the National People's Congress last January, will ease the cargo pressure on Shanghai Port. [Text] [Beijing XINHUA in English 1657 GMT 14 Mar 86 OW] 12624

NEW CONTAINER SHIP ARRIVES--Shanghai, 21 Mar (XINHUA)--With one new container ship added to its service, the Shanghai Ocean Shipping Company now runs a fleet of 38 container ships, the largest in China. The "Yuhe", able to carry 1,686 standard containers, departed from the Shanghai Port yesterday for the United States. It is the ninth of its kind imported from the Federal Germany, according to a company spokesman today.

PROJECTED NORTH-WEST RAILWAY--Lanzhou, 21 Mar (XINHUA)--Surveying is now being stepped up to prepare the ground for starting the work next year on a 510-kilometer railway from Guozhen in Shaanxi Province to Yingshuiqiao in Ningxia Hui Autonomous Region. This was announced by rail authorities in this Gansu provincial capital today. The line will link up with main lines in Shaanxi, Ningxia, and Gansu. It will play an important part in developing the north-west's economy. [Text] [Beijing XINHUA in English 0206 GMT 21 Mar 86 OW] 12624

CSO: 4020/244

END